Enquiry Report
Core Healthcare Investment Holdings Limited
Consolidated Financial Statements
for the year ended 30 June 2008

Financial Reporting Review Committee (E01-09)

31 August 2009

This report has been adopted by the Financial Reporting Council on 3 September 2009 in accordance with section 47(3) of the Financial Reporting Council Ordinance.

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The enclosures are not published because they may contain non-public third party information.

Notes concerning this report

This report relates to possible relevant non-compliance by a listed entity as to whether a relevant financial report has not complied with an accounting requirement of a type specified under the Financial Reporting Council Ordinance (Cap.588).

Any references in this report to breaches of any law, regulation, financial reporting standard, practice or principle, or GEM Listing Rules should be understood in the context of that Ordinance only and pursuant to which this report was prepared.

This report, whenever it relates to the private rights of third parties between themselves, makes and implies no comment as to the rights and obligations, and the merits of the conduct, of these third parties as between themselves.

Abbreviations

Convertible Bonds / CB	Convertible bonds with a nominal value of HK$150,000,000 issued by Core Healthcare on 31 January 2008
Core Healthcare / Company	Core Healthcare Investment Holdings Limited
Council	The Financial Reporting Council
Draft Enquiry Report	A draft of this report which was sent to Core Healthcare for comment on 7 August 2009
FRC Ordinance	Financial Reporting Council Ordinance (Cap. 588)
FRRC	Financial Reporting Review Committee (Reference no.: E01-09)
GEM	Growth Enterprise Market
GEM Listing Rules	Rules governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited
HKAS	Hong Kong Accounting Standards
HKAS 32	HKAS 32 *Financial Instruments: Presentation*
HKAS 39	HKAS 39 *Financial Instruments: Recognition and Measurement*
HKFRS	Hong Kong Financial Reporting Standards
HKICPA	Hong Kong Institute of Certified Public Accountants
IFRIC	International Financial Reporting Interpretations Committee
Relevant Financial Statements	Consolidated financial statements of Core Healthcare for the year ended 30 June 2008
relevant non-compliance	The non-compliance with a relevant requirement, within the meaning of Part 1 of Schedule 1 to the FRC Ordinance
Secretariat	Secretariat of the Council
Shares	Ordinary shares of Core Healthcare
the Group	Core Healthcare and its subsidiaries

Executive summary

Introduction

This report pertains to an enquiry conducted by the FRRC pursuant to section 40(1)(b) of the FRC Ordinance in relation to the Relevant Financial Statements.

Background

Core Healthcare is a corporation listed on the GEM of The Stock Exchange of Hong Kong Limited (stock code: 08250). The auditor expressed an unqualified opinion and no modification to the auditor's report of the Relevant Financial Statements.

The Council received a complaint on 29 October 2008. One of the allegations of the complaint is that the equity conversion option embedded in the Convertible Bonds meets the "fixed-for-fixed" criterion and therefore it should be classified as an equity instrument rather than a financial liability. The classification of the equity conversion feature of the Convertible Bonds would, in turn, affect its measurement.

After considering the information available, it appears to the Council that there may be a question whether or not there is a relevant non-compliance in relation to the accounting treatment of the Convertible Bonds in the Relevant Financial Statements.

Appointment of the FRRC

On 17 March 2009, the Council resolved to appoint the FRRC to conduct an enquiry into the question whether or not there is a relevant non-compliance in relation to the Relevant Financial Statements.

Relevant HKFRS

The HKFRS relevant to the possible relevant non-compliance are HKAS 32 and HKAS 39.

Conclusion

The FRRC considers that Core Healthcare is entitled to take the anti-dilutive clauses as a violation of the "fixed-for-fixed" criterion and therefore classified the equity conversion feature of the Convertible Bonds as a financial liability. As such, it was appropriate for the whole amount of the Convertible Bonds, including the host debt instrument and the embedded equity conversion feature, to be accounted for at fair value.

As a result, the FRRC concludes that there is no relevant non-compliance in the Relevant Financial Statements.

Recommendation

The FRRC recommends the Council to write to the IFRIC through the HKICPA to draw their attention to the fact that the current accounting standard is silent on the accounting treatment of anti-dilutive clauses in convertible bond agreements and ask them to provide more guidance in that connection.

Comments on Draft Enquiry Report from Core Healthcare

The Draft Enquiry Report was sent to Core Healthcare for comment on 7 August 2009.

In its reply letter of 20 August 2009, Core Healthcare expressed that it totally agreed with the view of the FRRC on the treatment of the Convertible Bonds and had no further comments on the Draft Enquiry Report after discussion with the auditor of the Relevant Financial Statements.

Section 1 Introduction

1.1 This report pertains to an enquiry conducted by the FRRC pursuant to section 40(1)(b) of the FRC Ordinance in relation to the Relevant Financial Statements. Note 4 of the Relevant Financial Statements stated that they were prepared in accordance with the HKFRS, accounting principles generally accepted in Hong Kong and the applicable disclosure requirements under the GEM Listing Rules and the Companies Ordinance (Cap.32).

1.2 Company information

1.2.1 Core Healthcare is a corporation listed on the GEM of The Stock Exchange of Hong Kong Limited (stock code: 08250) with market capitalization of approximately HK$152 million as at 28 August 2009. Average daily trading turnover for the three months ended 28 August 2009 was approximately 61 million Shares. The closing price of the Company as at 28 August 2009 was HK$0.164. Core Healthcare is incorporated in the Cayman Islands.

1.2.2 The principal activities of the Group include the provision of diagnostic testing services, the sales of health food and pharmaceutical products and the research and development in relation to the diagnosis of cancer and certain other illnesses.

1.2.3 The consolidated loss of the Group was HK$361 million for the year ended 30 June 2008 and the consolidated net liabilities was HK$263 million as at 30 June 2008. The auditor expressed an unqualified opinion and no modification to the auditor’s report of the Relevant Financial Statements. The Relevant Financial Statements are enclosed for reference (Annex 3A).

1.3 Initiation of an enquiry

1.3.1 The Council received an anonymous complaint on 29 October 2008. One of the allegations of the complaint is related to the classification and measurement of the Convertible Bonds in the Relevant Financial Statements (see Section 2 for details of the complaint).

1.3.2 In order to assess whether or not it appears to the Council that there is a relevant non-compliance and whether or not to initiate an enquiry, the Secretariat sent to Core Healthcare certain pre-enquiry letters. Core Healthcare also responded to the pre-enquiry letters.

1.3.3 On 17 March 2009, having considered the information supplied by Core Healthcare and information available to the public, the Council resolved to appoint the FRRC to conduct an enquiry into the question whether or not there is a relevant non-compliance in relation to the Relevant Financial Statements.

1.3.4 On 15 April 2009, Core Healthcare wrote to the FRRC and confirmed that the information and explanation provided in its previous three letters dated 11 November 2008, 17 November 2008 and 29 January 2009 are correct.

1.3.5 The potential non-compliance is in relation to whether the equity conversion feature embedded in the Convertible Bonds should be classified as an equity instrument or a financial liability. The classification of the equity conversion feature of the Convertible Bonds would, in turn, affect its measurement.

1.4 Opportunity of being heard

1.4.1 The Draft Enquiry Report was sent to Core Healthcare on 7 August 2009 for comment. The comments of Core Healthcare were received on 20 August 2009 and were incorporated in Section 8 of this report.

Section 2 Details of the complaint

2.1 The complaint is enclosed for reference (Annex 1A).

2.2 The whole amount of the Convertible Bonds was classified as a current liability at fair value through profit or loss in the Relevant Financial Statements. The complainant alleged that based on the terms of the Convertible Bonds as disclosed in note 23 to the Relevant Financial Statements (see paragraphs 5.1.1 and 5.4.2 for an extract of note 23 to the Relevant Financial Statements), the equity conversion option embedded in the Convertible Bonds meets the "fixed-for-fixed" criterion under paragraph 16(b)(ii) of HKAS 32 (see paragraph 6.2.4 for details of paragraph 16(b)(ii) of HKAS 32). Accordingly, the equity conversion option should be accounted for as an equity instrument of Core Healthcare and its fair value should be included in Core Healthcare's equity instead of current liabilities.

2.3 The complainant further alleged that the equity conversion option should be assigned with the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component in accordance with paragraph 31 of HKAS 32 (see paragraph 6.2.6 for details of paragraph 31 of HKAS 32) instead of accounting for the entire fair value of the instrument under current liabilities.

Section 3 Appointment of the FRRC

3.1 On 17 March 2009, the Council appointed the FRRC in accordance with section 40(1)(b) of the FRC Ordinance for the purpose of enquiring into the question whether or not there is a relevant non-compliance in relation to the Relevant Financial Statements. The FRRC consists of the following members:

1. Mr. Roderic N.A. SAGE (Chairman)
2. Mr. CHAN Ka-ling, Edmond
3. Ms. CHEW Sein-mene
4. Mr. DING Wai-chuen, Raphael
5. Prof. LOW Chee-keong

3.2 The terms of reference approved by the Council are:

(a) to enquire into the question whether or not there is a relevant non-compliance within the meaning of the FRC Ordinance in the accounting treatment of the Convertible Bonds of Core Healthcare in the Relevant Financial Statements;

(b) to exercise the powers under Division 2 of Part 4 of the FRC Ordinance and such other powers as may be delegated from time to time by the Council for the purpose of the enquiry;

(c) to form an opinion on whether and why there is a relevant non-compliance and how this non-compliance should be rectified; and

(d) to report to the Council the findings of the enquiry and to make recommendations for future actions.

Section 4 Process of the enquiry

4.1 Between November 2008 and January 2009, the Secretariat had sent three written requests for information to Core Healthcare to obtain information and explanations about the accounting treatment of the Convertible Bonds. The Secretariat had three rounds of correspondences with Core Healthcare.

4.2 The Council appointed the FRRC on 17 March 2009 (see Section 3 for details of the appointment).

4.3 The first FRRC meeting was held on 3 April 2009 to provide the background information of the case to the members of the FRRC. Core Healthcare confirmed to the FRRC on 15 April 2009 (Annex 6A) that all the information and explanations provided by it to the Secretariat were correct.

4.4 The second FRRC meeting was held on 6 July 2009. The FRRC agreed on the findings of the enquiry and the recommendation to be made to the Council and prepared the Draft Enquiry Report.

4.5 The Draft Enquiry Report was sent to Core Healthcare on 7 August 2009 for its comment. The comments received from Core Healthcare were incorporated in Section 8 of this report.

4.6 The final version of this report was approved by the FRRC members by circulation of papers on 31 August 2009.

4.7 The conclusion and recommendation are in Section 7.

Section 5 Facts identified during the enquiry

5.1 Terms of the Convertible Bonds

5.1.1 According to Note 23 to the Relevant Financial Statements, "On 31 January 2008, the Company issued convertible bonds with a nominal value of HK$150,000,000 due on 30 January 2012 ("CB"). CB carries interest at 1% per annum payable yearly in arrears with the first interest payment due on 30 January 2009 and the last interest payment due on 30 January 2012. During the period from 31 January 2008 to 30 January 2012, each CB entitles the holder to convert the bonds into new ordinary shares of the Company at the initial conversion price, subject to adjustment, of HK$0.019. The Company shall not be entitled to redeem any outstanding CB prior to the maturity date. Details of the CB are disclosed in the Company's circular [circulars] dated 5 December 2007 [6 December 2007] (Annex 4A) and 27 December 2007 [28 December 2007] (Annex 4B)."

5.2 Accounting policy of the Convertible Bonds

5.2.1 Note 4(m) to the Relevant Financial Statements set out the accounting policy for the Convertible Bonds. It states that "Convertible bonds which entitle the holder to convert the bonds into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. On initial recognition, the convertible bonds with the derivative component as a whole are designated as financial liabilities at fair value through profit or loss. The entire convertible bonds are initially recognised at fair value on the date of issue and are subsequently measured at fair value until extinguished on conversion or redemption. Changes in the fair value of the entire convertible bonds are recognised in the income statement as they arise. Interest on convertible bonds designated as financial liabilities at fair value through profit or loss is included in the fair value gain or loss for that period…"

5.3 Classification of the Convertible Bonds

5.3.1 The whole amount of the Convertible Bonds was classified as a current liability in the Relevant Financial Statements.

5.3.2 In its letter of 17 November 2008 (Annex 5A), Core Healthcare provided a copy of the agreement of the Convertible Bonds (Annex 2A). Details of the two anti-dilutive clauses which Core Healthcare considered not meeting the "fixed-for-fixed" criterion under paragraph 16(b)(ii) of HKAS 32 (see paragraph 6.2.4 for details of paragraph 16(b)(ii) of HKAS 32) are set out below:

(a) *Shares issued at more than 10% discount to market price*

"If and whenever the Company shall issue wholly for cash any Shares at a price per Share which is less than 90 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares which the aggregate amount payable for the issue would purchase at such market price and the denominator is the number of Shares in issue immediately before the date of such announcement plus the number of Shares so issued. Such adjustment shall become effective on the date of the issue."

(b) *Shares where total Effective Consideration per Share is issued more than 10% discount to market price*

"If and whenever the Company shall issue Shares for the acquisition of asset at a total Effective Consideration per Share … which is less than 90 per cent. of the market price at the date of the announcement of the terms of such issue, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the date of such announcement by a fraction of which the numerator shall be the total Effective Consideration per Share and the denominator shall be such market price. Each such adjustment shall be effective (if appropriate retroactively) from the close of business in Hong Kong on the business day next preceding the date on which the Company determines the issue price for such Shares ...."

The agreement of the Convertible Bonds defines, for the purpose of paragraph (b) above, "total Effective Consideration" as "the aggregate consideration credited as being paid for such Shares by the Company on acquisition of the relevant asset without any deduction for any commissions, discounts or expenses paid, allowed or incurred in connection with the issue thereof."

5.4 Measurement of the Convertible Bonds

5.4.1 Having determined that the equity conversion feature of the Convertible Bonds was to be classified as a financial liability, Core Healthcare designated the whole Convertible Bonds as a financial liability at fair value through profit or loss.

5.4.2 According to Note 23 to the Relevant Financial Statements, "The movements of the CB during the year are as follows:

	2008 HK$
Nominal value of convertible bonds issued	150,000,000
Fair value loss	340,548,687
At 30 June 2008	490,548,687

The fair values of CB were revalued as at the date of issue and 30 June 2008 based on valuations by an independent valuer, RHL Appraisal Limited, determined using the Black-Scholes Model…"

The fair value loss of HK$340,548,687 was recognised in the consolidated income statement for the year ended 30 June 2008.

Section 6 Relevant accounting requirements

6.1 The HKFRS relevant to the possible relevant non-compliances are HKAS 32 and HKAS 39. HKAS 32 governs the classification of the Convertible Bonds and HKAS 39 governs the recognition and measurement of the Convertible Bonds.

6.2 HKAS 32 – Classification of the Convertible Bonds

6.2.1 Paragraph 15 of HKAS 32 states that "The issuer of a financial instrument shall classify the instrument, or its component parts, on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument."

6.2.2 Paragraph 18 of HKAS 32 states that "The substance of a financial instrument, rather than its legal form, governs its classification on the entity's balance sheet. Substance and legal form are commonly consistent, but not always. Some financial instruments take the legal form of equity but are liabilities in substance and others may combine features associated with equity instruments and features associated with financial liabilities."

6.2.3 Paragraph 11 of HKAS 32 defines that a financial liability is any liability that is:

"(a) a contractual obligation: (i) to deliver cash or another financial asset to another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or

(b) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments."

The same paragraph of HKAS 32 defines that an equity instrument is "any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities".

6.2.4 Paragraph 16 of HKAS 32 states that "When an issuer applies the definitions in paragraph 11 to determine whether a financial instrument is an equity instrument rather than a financial liability, the instrument is an equity instrument if, and only if, both conditions (a) and (b) below are met.

(a) The instrument includes no contractual obligation:

- (i) to deliver cash or another financial asset to another entity; or
- (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the issuer.

(b) If the instrument will or may be settled in the issuer's own equity instruments, it is:

(i) a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or

(ii) a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. For this purpose the issuer's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the issuer's own equity instruments. [This is commonly known as the "fixed-for-fixed" criterion.]

A contractual obligation, including one arising from a derivative financial instrument, that will or may result in the future receipt or delivery of the issuer's own equity instruments, but does not meet conditions (a) and (b) above, is not an equity instrument."

6.2.5 Paragraph 24 of HKAS 32 states that "A contract that will be settled by the entity delivering or receiving a fixed number of its own equity instruments in exchange for a variable amount of cash or another financial asset is a financial asset or financial liability. An example is a contract for the entity to deliver 100 of its own equity instruments in return for an amount of cash calculated to equal the value of 100 ounces of gold."

6.2.6 Paragraph 31 of HKAS 32 states that "HKAS 39 deals with the measurement of financial assets and financial liabilities. Equity instruments are instruments that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Therefore, when the initial carrying amount of a compound financial instrument is allocated to its equity and liability components, the equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component (such as an equity conversion option) is included in the liability component. The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole. No gain or loss arises from initially recognising the components of the instrument separately."

6.3 HKAS 39 – Recognition and Measurement of the Convertible Bonds

6.3.1 Paragraph 9 of HKAS 39 defines a derivative as "a financial instrument or other contract within the scope of this Standard (see paragraphs 2-7) with all three of the following characteristics: (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying'); (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date."

6.3.2 Paragraph 10 of HKAS 39 states that "An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract—with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument."

6.3.3 Paragraph 11 of HKAS 39 states that "An embedded derivative shall be separated from the host contract and accounted for as a derivative under this Standard if, and only if:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract (see Appendix A paragraphs AG30 and AG33);

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss (i.e. a derivative that is embedded in a financial asset or financial liability at fair value through profit or loss is not separated).

If an embedded derivative is separated, the host contract shall be accounted for under this Standard if it is a financial instrument, and in accordance with other appropriate Standards if it is not a financial instrument. This Standard does not address whether an embedded derivative shall be presented separately on the face of the financial statements."

6.3.4 Paragraph 11A of HKAS 39 states that "Notwithstanding paragraph 11, if a contract contains one or more embedded derivatives, an entity may designate the entire hybrid (combined) contract as a financial asset or financial liability at fair value through profit or loss unless:

(a) the embedded derivative(s) does not significantly modify the cash flows that otherwise would be required by the contract; or

(b) it is clear with little or no analysis when a similar hybrid (combined) instrument is first considered that separation of the embedded derivative(s) is prohibited, such as a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost."

6.3.5 Paragraph 43 of HKAS 39 states that "When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability."

6.3.6 Paragraph 47(a) of HKAS 39 states that "After initial recognition, an entity shall measure all financial liabilities at amortised cost using the effective interest method, except for

(a) financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, shall be measured at fair value except for a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, which shall be measured at cost…."

Section 7 Conclusion and recommendation

7.1 Conclusion

Classification of the Convertible Bonds

7.1.1 Given that the HKFRS relevant to the determination of whether there are relevant non-compliances listed in Section 6 do not provide any guidance on the classification of an equity conversion feature with anti-dilutive clauses, the FRRC is of the view that Core Healthcare was entitled to interpret the relevant HKFRS the way it did. According to paragraph 16 of HKAS 32, a derivative would be considered as equity instrument if, among other things, it will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. Core Healthcare is entitled to take the anti-dilutive clauses stated in paragraph 5.3.2 above as a violation of paragraph 16(b)(ii) of HKAS 32 and therefore classified the equity conversion feature of the Convertible Bonds as a financial liability.

Measurement of the Convertible Bonds

7.1.2 According to HKAS 39, financial liabilities should be measured at fair value upon initial recognition (see paragraph 6.3.5 for details of paragraph 43 of HKAS 39). Subsequently, an entity should measure financial liabilities at amortised costs except

(a) when financial liabilities are being designated at fair value through profit or loss or

(b) under other circumstances as stipulated in HKAS 39 (see paragraph 6.3.6 for details of paragraph 47 of HKAS 39).

7.1.3 Core Healthcare considered that the embedded conversion option of the Convertible Bonds not an equity instrument and classified it as a financial liability. As stated in the accounting policy of the Relevant Financial Statements (see paragraph 5.2.1 for the relevant accounting policy), Core Healthcare has designated the Convertible Bonds as financial liabilities at fair value through profit or loss. As a result, based on HKAS 39, it was appropriate for the whole amount of the Convertible Bonds, including the host debt instrument and the embedded conversion option feature, to be accounted for at fair value.

Summary

7.1.4 Based on the above, the FRRC concludes that there is no relevant non-compliance in relation to the Relevant Financial Statements.

7.2 Recommendation

7.2.1 In the current financial market, a convertible bond agreement usually includes anti-dilutive clauses. The FRRC recommends the Council to write to the IFRIC through the HKICPA to draw their attention to the fact that the current accounting standard is silent on the accounting treatment of anti-dilutive clauses in convertible bond agreements and ask them to provide more guidance in that connection.

Section 8 Comments from Core Healthcare

8.1 Comments on Draft Enquiry Report from Core Healthcare

8.8.1 The Draft Enquiry Report was sent to Core Healthcare for comment on 7 August 2009. A reply was received on 20 August 2009 (Annex 7A).

8.8.2 In its reply letter of 20 August 2009, Core Healthcare expressed that it totally agreed with the view of the FRRC on the treatment of the Convertible Bonds and had no further comments on the Draft Enquiry Report after discussion with the auditor of the Relevant Financial Statements.