China HealthCare Holdings Limited
中國衛生控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 673)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2011 AND SUSPENSION OF TRADING

The board of directors ("**Directors**") of China HealthCare Holdings Limited (the "**Company**") announced the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2011 together with the comparative figures for the corresponding year ended 31 March 2010 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2011

	Notes	**2011** **HK$'000**	2010 HK$'000 (Restated)
Continuing operations			
Revenue	5	**78,442**	2,769,760
Cost of sales		**(41,435)**	(2,750,149)
Gross profit		**37,007**	19,611
Other income	6	**4,443**	2,494
Distribution expenses		**(11,074)**	(7,440)
Administrative expenses		**(46,774)**	(38,388)
Other operating expenses		**(686)**	(1,269)
Finance costs	7	**(102,603)**	(63,878)
Gain (loss) on recalculation of liability component of redeemable convertible cumulative preference shares		**95,227**	(18,194)
Impairment loss recognised in respect of trade and other receivables		**(3,017)**	(3,716)
Gain on disposal of financial assets at fair value through profit or loss		**–**	108
Gain on disposal of subsidiaries		**–**	2,533
Gain on deemed disposal of a subsidiary		**–**	56
Fair value loss on derivative component of convertible bonds		**(13,211)**	(6,040)
Fair value (loss) gain on derivative component of redeemable convertible cumulative preference shares		**(115,338)**	18,871
Impairment loss on goodwill		**(25,012)**	–
Loss before tax		**(181,038)**	(95,252)
Income tax expense	8	**(3,374)**	(386)
Loss for the year from continuing operations	9	**(184,412)**	(95,638)

	Notes	2011 HK$'000	2010 HK$'000 (Restated)
Discontinued operations			
Profit (loss) for the year from discontinued operations	*10*	**2,277**	(3,173)
Loss for the year		**(182,135)**	(98,811)
Other comprehensive income			
Exchange differences arising on translation		**12,260**	2,388
Release of exchange differences upon disposal of subsidiaries		**(4,482)**	102
Other comprehensive income for the year		**7,778**	2,490
Total comprehensive expenses for the year		**(174,357)**	(96,321)
Loss for the year attributable to:			
Owners of the Company			
– Loss for the year from continuing operations		**(210,241)**	(86,522)
– Profit (loss) for the year from discontinued operations		**2,025**	(3,173)
Loss for the year attributable to owners of the Company		**(208,216)**	(89,695)
Non-controlling interests			
– Profit (loss) for the year from continuing operations		**25,829**	(9,116)
– Profit for the year from discontinued operations		**252**	–
Profit (loss) for the year attributable to non-controlling interests		**26,081**	(9,116)
		(182,135)	(98,811)
Total comprehensive expenses attributable to:			
– Owners of the Company		**(204,259)**	(87,605)
– Non-controlling interests		**29,902**	(8,716)
		(174,357)	(96,321)
Basic and Diluted (loss) earning per share (HK$)	*12*		
– From continuing operation		**(0.59)**	(0.37)
– From discontinued operation		**0.01**	(0.01)
		(0.58)	(0.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment		**5,034**	8,482
Goodwill		**–**	32,582
Other intangible assets		**1,329**	2,012
Prepayment for acquisition of non-current assets		**–**	–
		6,363	43,076
Current assets			
Inventories		**2,970**	22,724
Trade receivables	*13*	**20,447**	38,602
Prepayments, deposits and other receivables		**87,201**	16,355
Loan receivables		**–**	–
Restricted bank balances		**100,173**	153,894
Bank balances and cash		**71,998**	20,241
		282,789	251,816
Current liabilities			
Trade payables	*14*	**92**	2,070
Other payables and accrued expenses		**34,978**	33,361
Amounts due to directors		**545**	5,188
Derivative component of convertible bonds		**–**	6,046
Derivative component of redeemable convertible cumulative preference shares		**121,577**	6,239
Liability component of convertible bonds		**–**	52,147
Liability component of redeemable convertible cumulative preference shares		**–**	176,820
Secured bank loans		**–**	34,200
Income tax payables		**3,496**	216
		160,688	316,287
Net current assets (liabilities)		**122,101**	(64,471)
Total assets less current liabilities		**128,464**	(21,395)

	Notes	2011 HK$'000	2010 HK$'000
Non-current liabilities			
Liability component of convertible bonds		**45,188**	–
Liability component of redeemable convertible cumulative preference shares		**180,755**	–
Deferred tax liabilities		**336**	423
		226,279	423
Net liabilities		**(97,815)**	(21,818)
Capital and reserves			
Share capital		**50,326**	26,202
Reserves		**(269,119)**	(138,961)
Equity attributable to owners of the Company		**(218,793)**	(112,759)
Non-controlling interests		**120,978**	90,941
		(97,815)	(21,818)

Notes:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability under the Companies Act of Bermuda. The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the annual report. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, Renminbi ("RMB"). As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

As at 31 March 2011, the Company and its subsidiaries (collectively referred to as the "Group") had net liabilities of approximately HK$97,815,000. Furthermore, the Group had bank balances of approximately HK$172,171,000, of which HK$100,173,000 are subject to restrictions imposed by the non-redeemable convertible preference shareholders of the Company's subsidiary pursuant to the terms of the subscription agreement. This condition therefore indicate the existence of a material uncertainty in relation to the Group's ability to continue as a going concern. In view of such circumstance, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern.

During the year ended 31 March 2011, the Group was unable to redeem the convertible bonds which had been due on 18 May 2010 ("CB1"). At 31 March 2011, the overdue principal and interest of CB1 were approximately HK$42,588,000 and HK$2,600,000 respectively. A majority of the holders of the CB1 have signed a consent letter to conditionally agree a three years extension for the CB1 to 17 May 2013, and these would, de facto, allow the Group to defer the redemption of the convertible bonds, provided that the Group will bring in viable assets and/or projects and as long as no additional issuance of any debts by the Group that will rank pari passu with the CB1 upon and after completion of the acquisition of viable assets and/or projects. The Group is currently in discussion with certain prospective external resources providers to bring in viable assets and/or projects to restructure its defaulted financial obligation, and to solve the Group's solvency problem.

In addition, the Group has redeemable convertible cumulative preference shares with original maturity date of 28 July 2011 and was extended to 17 May 2013 ("PS") with outstanding amounts as at 31 March 2011 of approximately HK$302,332,000. The holder of the redeemable convertible cumulative preference shares of the Company ("PS holder") also conditionally agreed to convert all their redeemable preference shares into equity upon completion of the Group's acquisition of viable assets and/or projects.

The consolidated financial statements have been prepared on a going concern basis. In the opinion of the directors, the Group should be able to continue as a going concern in the coming year taking into consideration the specific measures to improve its financial position which include, but not limited to, the following:

(a) On the successful of the extension of the redemption of CB1 to 17 May 2013;

(b) On the successful of the acquisition of viable assets and/or projects and restructuring of capital structure with PS holder, the Group's liabilities to the PS holder will be released and discharged upon conversion of the redeemable preference shares into equity by the PS holder, thereby improving the liquidity position of the Group;

(c) The substantial shareholders of the Company had agreed to provide adequate funds for the Group to meet its liabilities as they fall due;

(d) The Group successful implementation of stringent cost control measures and the continuous financial support provided by the Group's prospective investors to finance its future working capital and financial requirements;

(e) The directors are looking for various business opportunities to broaden its business scope and sources of income through investment or business ventures to improve the profitability of the Group.

Based on the aforesaid factors, the directors are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future, the validity of which depends upon the financial support from the substantial shareholders, convertible bonds holders and PS holder at a level sufficient to finance the working capital requirements of the Group. Accordingly, the directors are of the opinion that it is appropriate to prepare these financial statements on a going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to these financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has applied the following new and revised standards, amendments to standards and interpretations ("new and revised HKFRSs") issued by the HKICPA that are mandatorily effective for accounting period beginning on 1 April 2010.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
Hong Kong Accounting Standard ("HKAS") 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRS 1 (Revised)	First-time Adoption of HKFRSs
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
Hong Kong (International Financial Reporting Interpretations Committee ("HK(IFRIC)") – Interpretation ("Int") 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting years.

New and revised HKFRSs affecting presentation and disclosure only

HKFRS 3 (Revised 2008) Business Combinations

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there were no transaction during the current year in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Amendments to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendment to HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations issued in 2009, as part of the Improvements to HKFRSs clarifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It states that disclosure requirements of other HKFRSs do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those HKFRSs have specific disclosure requirement in respect of such asset (or disposal groups); or the disclosures relate to the measurement of an individual asset or assets, as part of a disposal group which follows other HKFRSs and the information is not disclosed elsewhere in the financial statements.

HK – Int 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK – Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK – Int 5 for the first time in the current year. HK – Int 5 requires retrospective application. Under HK – Int 5, term loans with a repayment on demand clause are classified as current liabilities. The application of HK – Int 5 has had no effect on the consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (Revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[2]
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[4]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[4]
HKFRS 9	Financial Instruments[7]
HKFRS 10	Consolidated Financial Statements[7]
HKFRS 11	Joint Arrangements[7]
HKFRS 12	Disclosure of Interests in Other Entities[7]
HKFRS 13	Fair Value Measurement[7]
HKAS 1 (Revised)	Presentation of Financial Statements[6]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 19 (2011)	Employee Benefits[7]
HKAS 24 (Revised)	Related Party Disclosures[3]
HKAS 27 (2011)	Separate Financial Statements[7]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[7]
HK(IFRIC) – Int 14 (Amendments)	Prepayment of a Minimum Funding Requirement[3]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 January 2011
[4] Effective for annual periods beginning on or after 1 July 2011
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 July 2012
[7] Effective for annual periods beginning on or after 1 January 2013

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 titled Disclosures – Transfers of Financial Assets increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. To date, the Group has not entered into transactions involving transfers of financial assets. However, if the Group enters into any such transactions in the future, disclosures regarding those transfers may be affected.

The amendments to HK(IFRIC) – Int 14 require entities to recognise as an economic benefit any prepayment of minimum funding requirement contributions.

HK(IFRIC) – Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HK(IFRIC) – Int 19 will affect the required accounting. In particular, under HK(IFRIC) – Int 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised standard is applied in future accounting periods. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial positions of the Group.

4. SEGMENT INFORMATION

The Group's operating and reportable segments under HKFRS 8 which are based on the nature of business are as follows:

– Sales of medical devices and consumables

– B-to-C consumer services

– Investment holding

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

For the year ended 31 March 2011

	Sales of medical devices and consumables *HK$'000*	**B-to-C consumer services** *HK$'000*	**Investment holding** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	**20,836**	**57,606**	**–**	**78,442**
Segment results	**4,130**	**21,803**	**–**	**25,933**
Unallocated corporate income				
– Interest income				**743**
– Other income				**3,700**
Unallocated corporate expenses				
– Finance costs				**(102,603)**
– Impairment loss recognised in respect of trade and other receivables				**(3,017)**
– Gain on recalculation of liability component of redeemable convertible cumulative preference shares				**95,227**
– Fair value loss on derivative component of convertible bonds				**(13,211)**
– Fair value loss on derivative component of redeemable convertible cumulative preference shares				**(115,338)**
– Impairment loss on goodwill				**(25,012)**
– Other expenses				**(47,460)**
Loss before tax (continuing operation)				**(181,038)**

For the year ended 31 March 2010

	Sales of medical devices and consumables *HK$'000*	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
REVENUE				
External sales	13,114	2,756,646	–	2,769,760
Segment results	(2,328)	(10,554)	–	(12,882)
Unallocated corporate income				
– Interest income				722
– Other income				1,772
Unallocated corporate expenses				
– Finance costs				(63,878)
– Gain on disposal of financial assets at fair value through profit or loss				108
– Gain on disposal of subsidiaries				2,533
– Gain on deemed disposal of a subsidiary				56
– Fair value loss on derivative component of convertible bonds				(6,040)
– Fair value gain on derivative component of redeemable convertible cumulative preference shares				18,871
– Other expenses				(36,514)
Loss before tax (continuing operation)				(95,252)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 4 to the consolidated financial statements. Segment loss represents the loss from each segment without allocation of central administration costs, directors emoluments, other income, interest income, gain on disposal of financial assets at fair value through profit or loss, fair value loss/gain on derivative component of convertible bonds, impairment loss on goodwill, impairment loss recognised in respect of trade and other receivables, fair value gain on derivative component of redeemable convertible cumulative preference shares, finance costs, gain on deemed disposal of a subsidiary and gain on disposal of subsidiaries. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

At 31 March 2011

	Sales of medical devices and consumables *HK$'000*	**B-to-C consumer services** *HK$'000*	**Investment holding** *HK$'000*	**Total** *HK$'000*
Continuing operations				
Segment assets	**10,695**	**81,769**	**–**	**92,464**
Unallocated corporate assets				
– Restricted bank balances				**100,173**
– Bank balances and cash				**71,998**
– Other corporate assets				**24,517**
Consolidated total assets				**289,152**
Continuing operations				
Segment liabilities	**3,453**	**17,262**	**–**	**20,715**
Unallocated corporate liabilities				
– Amounts due to directors				**545**
– Derivative component of redeemable convertible cumulative preference shares				**121,577**
– Liability component of convertible bonds				**45,188**
– Liability component of redeemable convertible cumulative preference shares				**180,755**
– Deferred tax liabilities				**336**
– Other payables and liabilities				**17,851**
Consolidated total liabilities				**386,967**

At 31 March 2010

	Sales of medical devices and consumables *HK$'000*	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
ASSETS				
Segment assets	8,802	63,255	–	72,057
Assets relating to discontinued operation				37,420
Unallocated corporate assets				
– Restricted bank balances				153,894
– Bank balances and cash				20,241
– Other corporate assets				11,280
Consolidated assets				294,892
LIABILITIES				
Segment liabilities	2,926	13,711	–	16,637
Liabilities relating to discontinued operation				4,931
Unallocated corporate liabilities				
– Amounts due to directors				5,188
– Derivative component of convertible bond				6,046
– Derivative component of redeemable convertible cumulative preference shares				6,239
– Liability component of convertible bonds				52,147
– Liability component of redeemable convertible cumulative preference shares				176,820
– Secured bank loans				34,200
– Deferred tax liabilities				423
– Other payables and liabilities				14,079
Consolidated liabilities				316,710

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than restricted bank balances, bank balances and cash and other corporate assets; and

- all liabilities are allocated to reportable segments other than amounts due to directors, derivative component of convertible bonds, derivative component of redeemable convertible cumulative preference shares, liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares, secured bank loans, deferred tax liabilities and other payables and liabilities.

(c) Other segment information

For the year ended 31 March 2011 (Continuing operations)

	Sales of medical devices and consumables *HK$'000*	**B-to-C consumer services** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets	**31**	**1,016**	**3,665**	**4,712**
Amortisation	**–**	**579**	**–**	**579**
Depreciation	**220**	**229**	**2,747**	**3,196**
Interest income	**5**	**243**	**495**	**743**
Finance costs	**–**	**146**	**102,457**	**102,603**
Income tax expense	**177**	**3,197**	**–**	**3,374**

For the year ended 31 March 2010

	Sales of medical devices and consumables *HK$'000*	B-to-C consumer services *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Addition to non-current assets *(Note)*	–	358	1,492	1,850
Amortisation	–	314	–	314
Depreciation	284	1,335	1,279	2,898
Amounts regularly provided to the chief operating decision maker but not included in measure of segment profit or loss or segment assets:				
Interest income	–	234	491	725
Finance costs	–	641	63,237	63,878
Income tax expense	95	291	–	386

Note: Non-current assets excluded goodwill. Additions to non-current assets for the year ended 31 March 2010 included additions resulting from acquisition through business combinations, amounting to HK$53,000 (2011: Nil).

(d) Geographical information

For the year ended 31 March 2011 and 2010, the Group's operations and its non-current assets are principally located in PRC (the country of domicile), mainly including Shanghai, Beijing, Guangdong, Nanjing and Hong Kong. Accordingly, no geographical segment information is presented.

(e) Information about major customers

Revenue from major customers of the year ended 31 March 2011 contributing over 10% of the total sales of the Group amounted to approximately HK$35,098,000 and HK$13,715,000 (2010: HK$526,583,000). Such revenue was from the segment of B-to-C consumer services.

5. REVENUE

An analysis of the Group's revenue for the year from continuing operation which represents sales of medical devices and consumables, revenue from B-to-C consumer services and commission income from B-to-C consumer services is as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Sales of medical devices and consumables	**20,836**	13,114
Revenue from B-to-C consumer services	**–**	2,756,646
Commission income from B-to-C consumer services	**57,606**	–
	78,442	2,769,760

For the year ended 31 March 2010, the revenue from B-to-C consumer services was recognised from the sale of mobile pre-charge. On 1 April 2010, the subsidiaries of the Company entered into consignment agreements to replace the previously signed agreements. In the consignment agreements with effect from 1 April 2010, the subsidiaries of the Company are entitled to act as agents of consignors to distribute the mobile pre-charge and receive the commission income in return.

6. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest income	**743**	725
Government grants *(Note)*	**1,178**	–
Dividend income	**–**	3
Rental income from medical devices	**–**	57
Exchange gains	**3**	482
Sales of consumables	**346**	153
Services income	**743**	353
Consultancy income	**291**	–
Others	**1,139**	721
	4,443	2,494

Note: Government grants represent subsidies to foreign owned enterprises as awards for investing in the PRC. They were determined at the sole discretion of the relevant PRC government.

7. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interests on bank loans wholly repayable within five years	**297**	641
Effective interest expenses on convertible bonds wholly repayable within five years	**3,758**	5,272
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**98,548**	57,965
	102,603	63,878

8. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Continuing operation		
Current tax – PRC		
Provision for the year	**3,461**	386
Under-provision in prior years	**(87)**	–
	3,374	386

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profit arising from Hong Kong for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC reduced from 33% to 25% from 1 January 2008 onwards except the Enterprise Income Tax rate of certain subsidiaries of the Group was increased from 15% to 25% progressively from 1 January 2008 onwards (2008: 18%, 2009: 20%, 2010: 22%, 2011: 24%, 2012: 25%). The relevant tax rates for the Group's subsidiaries in the PRC ranged from 22% to 25% for the year ended 31 March 2011 (2010: 18% to 25%).

9. LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

	2011 *HK$'000*	2010 *HK$'000*
Loss for the year from continuing operations had been arrived at after charging (crediting):		
Amortisation of other intangible assets included in administrative expenses	**579**	314
Auditor's remuneration	**1,291**	714
Cost of inventories recognised as expenses	**41,435**	2,743,911
Depreciation	**3,196**	2,898
Fair value loss on derivative component of convertible bonds	**13,211**	6,040
Fair value loss on derivative component of preference shares	**115,338**	–
(Gain) loss on recalculation of liability component of redeemable convertible cumulative preference shares	**(95,227)**	18,194
Net exchange losses	**71**	–
Impairment loss recognised in respect of trade and other receivables	**3,017**	3,717
Impairment loss recognised in respect of obsolete inventories	**980**	–
Impairment loss on goodwill	**25,012**	–
Loss on written off of interest in an associate	**–**	1
Loss on disposal of/written off of property, plant and equipment	**2,037**	564
Loss on disposal of other intangible assets	**173**	–
Operating leases payments in respect of land and buildings	**1,600**	2,462
Research and development expenditure	**251**	95
Share options granted	**2,898**	–
Staff costs (including directors' remuneration)		
– Salaries and allowances	**13,711**	10,851
– Retirement benefit scheme contributions	**4,638**	1,277
	18,349	12,128

10. DISCONTINUED OPERATIONS

On 31 July 2010, the Company entered into a sale agreement to dispose of Junghua Enterprises Holdings Limited, CHC (Shanghai) Medical & Healthcare Services Limited and Beijing Weichang Medical Clinic Company Limited (collectively referred to as the "B-to-B Group"), which carried out all of the Group's B-to-B healthcare services operations. The disposal was effected in order to focus the resources on the Group's other business. The disposal was completed on 31 July 2010, on which date control of the B-to-B Group passed to the acquirer.

The profit (loss) for the year from discontinued operations is analysed as follows:

	Year ended 31/3/2011 *HK$'000*	Year ended 31/3/2010 *HK$'000*
Profit (loss) of the B-to-B healthcare services business	**890**	(3,173)
Gain on disposal of B-to-B healthcare services business	**1,387**	–
Profit (loss) for the year from discontinued operations	**2,277**	(3,173)

The results of the B-to-B healthcare services operations for the period from 1 April 2010 to 31 July 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 31/7/2010 *HK$'000*	Year ended 31/3/2010 *HK$'000*
Revenue	**3,109**	6,653
Cost of sales	**(105)**	(613)
Other income	**2,761**	70
Distribution expenses	**(1,208)**	(3,854)
Administrative expenses	**(3,667)**	(5,429)
Profit (loss) before tax	**890**	(3,173)
Income tax expenses	**–**	–
Profit (loss) for the year	**890**	(3,173)

Profit (loss) for the year from discontinued operations had been arrived at after charging:

	Period ended 31/7/2010 *HK$'000*	Year ended 31/3/2010 *HK$'000*
Auditor's remuneration	**–**	–
Cost of inventories recognised as expenses	**105**	613
Depreciation	**758**	1,536
Impairment loss on goodwill	**–**	–
Impairment loss recognised in respect of obsolete inventories	**22**	1
Operating leases payments in respect of land and buildings	**190**	497
Staff costs (including directors' remuneration)		
– Salaries and allowances	**838**	2,964
– Retirement benefit scheme contributions	**224**	780
	1,062	3,744

11. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2010: Nil).

12. (LOSS) EARNINGS PER SHARE

For continuing and discontinued operations

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

Loss

	2011	2010
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share		
Loss for the year attributable to the owners of the Company	**(208,216)**	(89,695)

Number of shares	**2011**	2010
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**357,769,137**	236,113,873

From continuing operations

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

	2011	2010
	HK$'000	*HK$'000*
Loss for the purpose of basic loss per share from continuing operations		
Loss for the year from continuing operations attributable to the owners of the Company	**(210,493)**	(86,522)

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

For discontinued operations

Basic and diluted earnings per share for the discontinued operations is HK$0.01 per share (2010: HK$0.01 loss per share), based on the profit for the year attributable to owners of the Company from discontinued operations of HK$2,277,000 (2010: HK$3,173,000 loss) and the denominators detailed above for basic and diluted loss per share.

13. TRADE RECEIVABLES

	2011	2010
	HK$'000	*HK$'000*
Trade receivables	**20,727**	47,622
Less: allowance for doubtful debts	**(280)**	(9,020)
	20,447	38,602

The normal credit period granted to customers of the E-distribution of mobile pre-charge etc. is 3 to 7 days. The credit terms granted to other customers generally ranged from 10 to 90 days.

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the reporting date.

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**5,222**	34,406
31 to 60 days	**342**	515
61 to 90 days	**11,251**	929
91 to 120 days	**573**	546
Over 120 days	**3,059**	2,206
Total	**20,447**	38,602

Included in the Group's trade receivables balances are debtors with aggregate carrying amount of HK$3,632,000 (31 March 2010: HK$2,873,000) which were past due as at the reporting date for which the Group has not provided for impairment loss.

Aging of trade receivables which are past due but not impaired:

	2011	2010
	HK$'000	*HK$'000*
Within 90 days	**–**	368
91 to 120 days	**573**	299
Over 120 days	**3,059**	2,206
	3,632	2,873

Trade receivables that were past due but not impaired were related to a number of independent customers for whom there is no recent history of default. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group did not hold any collateral over these balances.

Movement in the allowance for doubtful debts:

	2011	2010
	HK$'000	*HK$'000*
At 1 April	**9,020**	8,865
Exchange realignment	**394**	26
Written off	**(9,062)**	–
Disposal of subsidiaries	**(72)**	–
Impairment loss recognised	**–**	129
At 31 March	**280**	9,020

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately HK$280,000 (2010: HK$9,020,000). The individually impaired receivables related to customers who were in financial difficulties. The Group did not hold any collateral over these balances.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
RMB	**20,186**	36,342
US$	**261**	2,260
	20,447	38,602

14. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the date of receipt of goods at the end of the reporting period.

	2011	2010
	HK$'000	*HK$'000*
Within 30 days	**84**	1,189
31 to 60 days	**–**	240
61 to 90 days	**–**	64
91 to 120 days	**–**	174
Over 120 days	**8**	403
Total	**92**	2,070

The average credit period on purchases of goods ranged from 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	2011	2010
	HK$'000	*HK$'000*
RMB	**92**	960
HK$	**–**	1,110
	92	2,070

15. EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in these financial statements, the Group had the following material events after 31 March 2011:

(a) On or around 19 August 2010, the Company and Wingames Investments Limited, an indirectly wholly-owned subsidiary of the Company ("Wingames"), entered into an agreement (the "Agreement") with Mascot Land Limited ("Procurer"), China Zhongfu Industry Co., Ltd. ("China Zhongfu"), Shanghai Zhongfu International Trading Co., Ltd. ("Shanghai Zhongfu"), Anhui Anhe Investment Consulting Co., Ltd. ("Anhui Anhe"), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the "Management Guarantors") (collectively known as "Guarantors"). The Agreement was for the acquisition of assets by Wingames, the details of which were set out in the Company's announcement to the Stock Exchange on 13 October 2010 and the Company's circular on 22 February 2011.

The Agreement was not completed by the required date. Wingames and the Company (the "Plaintiffs") have commenced legal proceedings against: the Procurer, China Zhongfu; Shanghai Zhongfu; Anhui Anhe and the Management Guarantors (the "Defendants") in Hong Kong in respect of the failure to complete the Agreement (the "Proceedings"), and the Proceedings are ongoing.

(b) Subsequent to the year ended 31 March 2011, the Group are in the process of disposing its entire interest in Shanghai Harvest Network Technology Company Limited and its subsidiaries (collectively known as "Shanghai Harvest Group", which includes its wholly owned subsidiary Shanghai De Yi Network Technology Company Limited) an indirectly owned subsidiary of the Company, and the Group has entered into an agreement with Shanghai Huiqu E-commerce Company Limited ("上海滙趣電子商務有限公司"), an independent third party, to dispose of Shanghai Harvest Group at a consideration of approximately RMB35,910,000 (the "Transaction"), and such a Transaction constitutes a notifiable transaction of the Company under Chapter 14 of the Listing Rules and therefore is subject to shareholders' approval in a special general meeting of the Company to be held.

(c) Subsequent to the year ended 31 March 2011, the Group disposed the entire interest of West Regent Property Limited to an independent third party for a consideration of HK$1.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

The accompanying consolidated financial statements for the year ended 31 March 2011 have been prepared assuming that the Group will continue as a going concern. Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicated that the Group incurred a net loss of approximately HK$182,135,000 during the year ended 31 March 2011 and, as of that date, the Group's total liabilities exceed its total assets by approximately HK$97,815,000. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2010: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2011, the Group reported a turnover of approximately HK$78.4 million, representing a decrease of 97% as compared to HK$2,769.8 million (restated) for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$208.2 million as compared to loss of approximately HK$89.7 million for the previous financial year. Basic loss per share for the year was HK$0.58 (2010: loss per share HK$0.38).

Business Operation

During the past financial year, the Group's business operation continued to be principally engaged in provision of consumer oriented services that enable the procurement of better access, better communication and better connectivity in China.

China is undergoing mega growth of underlying consumption demands arising from China's on-going grand-scale urbanization, rising per capita income, increasing intra-China/inbound China/China outbound mobility, and ageing demographics. The Group is making its best effort as a consumer oriented service provider to embrace the mega trend in China.

Review of the Group's business operations

Most of the Group's revenue comes from its B-to-C consumer services operation. The operation's business model is oriented around scale; growth; cash flow and outlets of distribution and settlement. During the past financial year, the Group managed to grow a B-to-C consumer service operation in Shandong Province, the 2nd largest provincial mobile top-up market in China, which has already reached #1 market share in mobile top-up distribution and developed a growing distribution network of almost 26,000 POS-enabled retail outlets as of the date there, and in taking measures to remove constraints in human resources to the initiative, such an operation has had continued success in upgrading its critical human resources of senior and middle managers in marketing; technology and channel management and has become the Group's main revenue generating operation. However, the Group's operation of Shanghai mobile top-up has been facing severe adverse financial impact, a substantial downward adjustment of rebate by Shanghai Mobile on distribution of mobile top-up in paper form.

Since the beginning of the past financial year, the Group has been implementing a strategic growth initiative to position the business operation to move into payments sector. However, during the financial year, the PRC central bank enacted adverse regulations that don't allow offshore ownership or control in payments sector, and in order to comply with such newly enacted regulations, such strategic growth initiative of of expanding into payments sector would have to be curtailed and aborted.

The Group are entitled to act as agents of consignors upon the new consignment agreements effective this year. In this connection and due to this very reason, the revenue of the Group's consumer services business becomes based on distribution rebate and as such, it has had a decrease of about 97.9% in terms of revenues, based on distribution rebate, as compared with the same period in 2010.

In Group's other business operations, i.e. healthcare services focusing on travel-related emergency medical assistance and distribution of medical devices/consumables, directors would like to report that the operations have had an overall revenue of HK$23.9 million, and as these operations are non-core and in order to alleviate the Group's constraints in capital and management resources, the Group disposed them as of the date.

Review of the Group's financial distress

During the past financial year, the Group's listing entity China HealthCare Holdings Ltd. ("CHC" or "HoldCo"), as the Group's ultimate holding company, continued to be insolvent due to its obligations of the convertible bond (the "CB") of outstanding principal of about US$5.39 million as of the date and the redeemable convertible preference shares of outstanding principal US$15 million (the "RCPS").

Having experimented with various ways and means to find a solution to the HoldCo's solvency problem over the previous financial year, the directors consider that a solution would necessarily require injection of substantial external resources, and in practice the Group has to bring in viable asset(s) and/or project(s) to enable a restructuring of its defaulted financial obligations. On or around 19 August 2010, Wingames Investments Limited ("Wingames"), an indirectly wholly-owned subsidiary of the Company, entered into the agreement (the “Agreement”) with Mascot Land Limited (“Procurer”), China Zhongfu Industry Co., Ltd. (“China Zhongfu”), Shanghai Zhongfu International Trading Co., Ltd. (“Shanghai Zhongfu”), Anhui Anhe Investment Consulting Co., Ltd. (“Anhui Anhe”), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the “Management Guarantors”) (collectively known as “Guarantors”), being the independent third parties, to acquire equity interests in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. and its affiliated entities, for a total consideration of HK$3,360 million by way of a very substantial acquisition (the “VSA”), details of which have been set out in the Company’s circular dated 23 February 2011. The VSA, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants since 31 May 2011.

As such and despite the Company’s unsuccessful exercise of the VSA above, the directors have continued to make every best effort in working with relevant stakeholders to bring viable asset(s) and/or project(s) into the Group to solve its solvency problem, and managed to work out standstills with the CB and RCPS holders to facilitate such asset injection.

Facing the financial distress above and as the Group’s operations are service oriented and human capital heavy, directors have continued to make every best effort in alleviating the ongoing negative impacts of the financial distress and sustaining the underlying operations.

Material Acquisitions and Disposals

Other than the VSA as disclosed in the “Review of the Group’s financial distress” section, on 31 July 2010, the Group disposed Junghua Enterprises Holdings Limited, CHC (Shanghai) Medical & Healthcare Servcies Limited and Beijing Weichang Medical Clinic Company Limited to an independent third party for consideration of HK$1.

Save as disclosed above, there was no other material acquisition or disposal of any subsidiary of the Group during the year.

Liquidity and Capital Resources

During the year under review, the Group’s cash and cash equivalents amounted to approximately HK$172.2 million as at 31 March 2011, where about HK$100 million is in its subsidiary Harvest Network Ltd. (“Harvest”) and its use is restricted for Harvest’s working capital and other purpose only.

The Group’s total borrowings as at 31 March 2011 amounted to HK$347.5 million, all of which were represented by convertible bonds and preference shares.

On this basis, the gearing ratio is calculated at (1.59) (2010: (2.33)), based on an amount of shareholders’ equity of HK$(218,793,000) (2010: HK$(112,759,000)).

Contingent Liabilities

As at 31 March 2011, there were no contingent liabilities of the Group.

Charge on Group's Assets

As at 31 March 2011, there was no charge on the Group's assets.

Employees and Remuneration Policy

As at 31 March 2011, the Group employed 115 (2010: 160) staff members. Total staff cost including Directors' emoluments was HK$18.3 million as compared to HK$12.1 million for the previous year.

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group.

Future Prospect

While the Group's HoldCo is facing financial distress which has ongoing negative impacts on the Group's operating activities, the Group is making every best effort, and at the same time looking forward to the support and cooperation of our shareholders; stakeholders and business partners, to work out a solution to HoldCo's solvency problem.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2011.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rule throughout the year, except for the deviations disclosed in the Company's latest interim report for the six months ended 30 September 2010. Detailed information is set out in the Corporate Governance Report included in the Company's Annual Report to be despatched to the shareholders in due course.

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

AUDIT COMMITTEE

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT

The information as required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) and www.chinahealthcareltd.com in due course.

SUSPENSION OF TRADING

At the request of the Company, trading in shares of the Company was suspended from 9:00 a.m. on 4 July 2011 pending the publication of this announcement and will remain suspended pending release of an announcement regarding a notifiable transaction of the Company.

On Behalf of the Board
China HealthCare Holdings Limited
Zhou Bao Yi
Executive Director

Hong Kong, 16 September 2011

As at the date of this announcement, the board of directors of the Company comprises Dr. Li Zhong Yuan and Mr. Zhou Bao Yi, all of whom are executive directors; Mr. Martin Treffer who is non-executive director; and Mr. Mu Xiang Ming, Mr. Jiang Bo and Dr. Yan Shi Yun, all of whom are independent non-executive directors.

* *For identification purpose only*