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 2012

The board (the "Board") of directors (the "Directors") of China HealthCare Holdings Limited (the "Company") announced the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012 together with the comparative figures for the corresponding year ended 31 March 2011 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	For the year ended 31 March 2012 *HK$'000*	2011 *HK$'000*
CONTINUING OPERATIONS			
Revenue	6	**49,106**	57,606
Cost of sales		**(16,789)**	(28,676)
Gross profit		**32,317**	28,930
Other income	6	**3,082**	4,374
Selling and distribution expenses		**(11,091)**	(8,953)
Administrative expenses		**(58,159)**	(48,242)
Other operating expenses		**–**	(517)
Finance costs	7	**(102,130)**	(102,603)
Gain on disposal of subsidiaries	14	**141**	–
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 gain/(loss) on derivative component of redeemable convertible cumulative preference shares		**114,702**	(115,338)
Impairment loss on goodwill		**–**	(25,012)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(21,138)**	(185,345)
Income tax expense	9	**(1,957)**	(3,197)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS	8	**(23,095)**	(188,542)
DISCONTINUED OPERATIONS			
Loss/(profit) for the year from discontinued operations	10	**(489)**	6,407
LOSS FOR THE YEAR		**(23,584)**	(182,135)

	Note	For the year ended 2012 HK$'000	2011 HK$'000
LOSS FOR THE YEAR		**(23,584)**	(182,135)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		**7,445**	12,260
Release of exchange differences upon disposal of subsidiaries		**11,307**	(4,482)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX OF NIL		**18,752**	7,778
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(4,832)**	(174,357)
(Loss)/profit attributable to:			
Owners of the Company		**(18,555)**	(208,216)
Non-controlling interests		**(5,029)**	26,081
		(23,584)	(182,135)
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(195)**	(200,438)
Non-controlling interests		**(4,637)**	26,081
		(4,832)	(174,357)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	11		
Basic and diluted:			
– For loss for the year		**HK$(0.04)**	HK$(0.58)
– For loss from continuing operations		**HK$(0.05)**	HK$(0.53)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,618**	5,034
Goodwill		**–**	–
Other intangible assets		**–**	1,329
Other receivable		**4,169**	–
Total non-current assets		**5,787**	6,363
CURRENT ASSETS			
Inventories		**–**	2,970
Trade receivables	12	**27,101**	20,447
Prepayments, deposits and other receivables		**192,229**	87,201
Restricted bank balances		**24,741**	100,173
Cash and bank balances		**7,719**	71,998
Total current assets		**251,790**	282,789
CURRENT LIABILITIES			
Trade payables	13	**83**	92
Other payables and accrued expenses		**27,339**	34,978
Amount due to a director		**2,599**	545
Interest-bearing loans from a director and a shareholder		**8,052**	–
Derivative component of redeemable convertible cumulative preference shares		**6,875**	121,577
Liability component of convertible bonds		**46,643**	–
Liability component of redeemable convertible cumulative preference shares		**281,801**	–
Income tax payables		**2,259**	3,496
Total current liabilities		**375,651**	160,688
NET CURRENT (LIABILITIES)/ASSETS		**(123,861)**	122,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**(118,074)**	128,464

	As at 31 March	
	2012	2011
	HK$'000	*HK$'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
Total non-current liabilities	**–**	226,279
Net liabilities	**(118,074)**	(97,815)
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**50,326**	50,326
Reserves	**(270,360)**	(269,119)
	(220,034)	(218,793)
Non-controlling interests	**101,960**	120,978
Total equity	**(118,074)**	(97,815)

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and principal place of business is located at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

Other than the discontinued operations as described below, there was no significant changes in the operation of the Company and its subsidiaries (collectively referred to as the "Group") during the year.

2. BASIS OF PRESENTATION

As at 31 March 2012, the Group had net current liabilities of approximately HK$123,861,000 and net liabilities of approximately HK$118,074,000. In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Groups will has sufficient financial resources to continue as a going concern.

During the year ended 31 March 2012, the Group was unable to redeem the convertible bonds which had been due on 18 May 2010 ("CB1"). At 31 March 2012, the overdue principal and interest of CB1 were approximately HK$42,042,000 and HK$4,601,000 respectively. In addition, the Group has redeemable convertible cumulative preference shares with initial maturity date of 28 July 2011 ("PS") with outstanding amounts as at 31 March 2012 of approximately HK$288,676,000. Both the outstandings amounts of CB1 and PS has been overdue and became repayable on demand. The Group has been actively in discussions with the holders of the CB1 for standstills, and a majority of the holders of the CB1 have verbally indicated they would not take immediate legal action against the Company to enforce their rights under the convertible bonds, and these would, de facto, allow the Group to defer the redemption of the CB1, with a view to continue working on a potential restructuring of its capital structure with the holder of the PS ("PS holder"). Also, 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 obligations, and to solve the Group's solvency problem. In the mean time, the Group is implementing stringent cost control measures. The Directors are of the opinion that continuous financial support will be provided by the Group's prospective investors to finance its future working capital and financial requirements, provided that the restructuring of capital structure with PS holder is successful.

Accordingly, notwithstanding that the Group is unable to redeem the CB1 and PS on demand, the Directors are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2012 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

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

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidation financial statements.

HKFRS 1 Amendment	Limited Exemptions to Comparative HKFRS 7 Disclosures for First-time Adopters
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 Amendments	Classification of Rights Issues
HK(IFRIC)-Int 14 Amendments	Prepayments of a Minimum Funding Requirement
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in Improvements to HKFRSs 2010, the adoption of the new and revised HKFRSs has had no significant financial effect on the consolidated financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendment most applicable to the Group are as follows:

- HKFRS 3 Business Combinations: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRSs 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holder to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 Presentation of Financial Statements: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. The Group elects to present to analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 Consolidated and Separate Financial Statements: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

5. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Directors being chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

Segment assets excluded restricted bank balances, cash and bank balances corporate assets as these assets are managed on a group basis.

Segment liabilities excluded interest-bearing loans from a director and a shareholder, amount due to a director, 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, deferred tax liabilities and other corporate liabilities as these liabilities are managed on a group basis.

No operating segment is presented as the Group basically operated in one single operating segment during the years ended 31 March 2012 and 2011. An operating segment regarding the sales of medical devices and consumables discontinued in current year, details of which the segment information are mentioned in note 10.

The following table is an analysis of the Group's assets and liabilities and other segment information for the years ended 31 March 2012 and 2011:

	B-to-C consumer services		**Total**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**40,852**	81,769	**40,852**	81,769
Corporate and other unallocated assets			**216,725**	207,383
Total assets			**257,577**	289,152
SEGMENT LIABILITIES	**4,031**	17,262	**4,031**	17,262
Corporate and other unallocated liabilities			**371,620**	369,705
Total liabilities			**375,651**	386,967
Other segment information				
Interest income	**775**	243		
Depreciation	**2,491**	2,937		
Amortisation of other intangible assets	**253**	579		
Capital expenditure*	**3,337**	4,679		

* Capital expenditure excluded goodwill and consists of additions to non-current assets and excluding assets from other intangible assets.

Geographical information

For the years ended 31 March 2012 and 2011, the Group's operations and its non-current assets are principally located in the PRC, accordingly no geographical segment information is presented.

Information about major customers

During the year ended 31 March 2012, the Group had transactions with 2 (2011: 2) customers who each contributed over 10% of the Group's total net revenue from continuing operation. A summary of revenue earned from each of these major customers is set out below:

	Year ended 31 March	
	2012	2011
	HK$'000	*HK$'000*
Customer 1	**23,393**	13,715
Customer 2	**15,324**	35,098
	38,717	48,813

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represented the amounts earned from distribution of mobile pre-charge and is recognised according to agreement terms and as mobile pre-charge are sold to ultimate customers, after allowances for returns and trade discounts.

An analysis of other income and gains from continuing operation are as follows:

	2012	2011
	HK$'000	*HK$'000*
Interest income	**1,042**	419
Government grants (note)	**1,032**	1,178
Exchange gains	**–**	3
Consultancy income	**934**	291
Others	**74**	1,943
	3,082	3,834

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

An analysis of finance costs from continuing operations is as follows:

	2012	2011
	HK$'000	*HK$'000*
Interests on loans from a director and a shareholder	**52**	–
Interests on bank loans wholly repayable within five years	**888**	297
Effective interest expenses on convertible bonds wholly repayable within five years	**1,454**	3,758
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**99,736**	98,548
	102,130	102,603

8. LOSS FOR THE YEAR

Loss before income tax from continuing operations is arrived at after charging/(crediting) the following:

	2012	2011
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**253**	579
Depreciation	**2,637**	2,976
Fair value loss on derivative component of convertible bonds	**–**	13,211
Fair value (gain)/loss on derivative component of redeemable convertible cumulative preference shares	**(114,702)**	115,338
Impairment loss recognised in respect of trade and other receivables	**7,283**	3,017
Impairment loss on goodwill	**–**	25,012
Loss on disposal of items of property, plant and equipment	**–**	1,857
Loss on disposal of other intangible assets	**–**	173

9. INCOME TAX EXPENSE

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.

Subsidiaries established in Mainland China are subject to the Mainland China enterprise income tax at the standard rate of 25% (2011: 25%). Certain of these entities in Mainland China have been granted a five-year transitional period with a progressive tax rate from 15% to 25% from 1st January 2008.

	2012	2011
	HK$'000	*HK$'000*
Continuing operation		
Current tax – PRC		
Provision for the year	**1,957**	3,284
Underprovision in prior years	**–**	(87)
	1,957	3,197

10. DISCONTINUED OPERATIONS

As mentioned in note 5, sales of medical devices and consumables is presented as discontinued operations in accordance with HKFRS 5 during the year.

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

	2012	2011		
	Sales of medical devices and consumables	Sales of medical devices and consumables	B-to-B healthcare services business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
(Loss)/profit of discontinued operations	**(4,080)**	4,130	890	5,020
Gain on disposal	**3,591**	–	1,387	1,387
(Loss)/profit for the year from discontinued operations	**(489)**	4,130	2,277	6,407

An analysis of the results of discontinued operations included in the consolidated statement of comprehensive income was as follows:

	2012	2011		
	Sales of medical devices and consumables	Sales of medical devices and consumables	B-to-B healthcare services business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**8,686**	20,836	3,109	23,945
Expenses	**(12,705)**	(16,530)	(2,219)	(18,749)
Profit/(loss) before tax	**(4,019)**	4,306	890	5,196
Income tax expense	**(61)**	(176)	–	(176)
(Loss)/profit for the year from discontinued operations and attributable to the owners of the Company	**(4,080)**	4,130	890	5,020

The calculations of basic and diluted loss per share from the discontinued operations are based on:

	2012	2011
(Loss)/profit attributable to owners of the Company from the discontinued operations	**HK$(741,000)**	HK$6,155,000
Weighted average number of ordinary shares in issue during the year used in the basic and diluted (loss)/earning per share calculation	**503,259,665**	357,769,137
(Loss)/earnings per share: Basic and diluted from discontinued operations	**HK$(0.00)**	HK$0.02

11. LOSS PER SHARE

	2012	2011
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:		
– From continuing operations	**(17,814)**	(214,371)
– From discontinued operations	**(741)**	6,155
	(18,555)	(208,216)

Number of shares	**2012**	2011
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**503,259,665**	357,769,137

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basis loss per share from continuing and discontinued operations attributable to the owners of the Company are presented for the years ended 31 March 2012 and 2011 as the impact of the convertible bonds and redeemable convertible cumulative preference shares outstanding during these years had either no dilutive effect or an anti-dilutive effect on the basic loss per share amounts presented.

12. TRADE RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**27,101**	20,727
Impairment	**–**	(280)
	27,101	20,447

The normal credit period granted to customers of the 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.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of impairment, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**2,022**	5,222
1 to 3 months	**3,917**	12,166
Over 3 months	**21,162**	3,059
	27,101	20,447

13. TRADE PAYABLES

An aged analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Within 1 month	**–**	84
Over 3 months	**83**	8
Total	**83**	92

The trade payables are non-interest-bearing and normally settled from 30 to 60 day terms.

14. DISPOSAL OF SUBSIDIARIES

	2012 West Regent Group HK$'000 (Note (i))	2012 Shanghai Harvest Group HK$'000 (Note (ii))	2012 Total HK$'000	2011 HK$'000
Consideration received and receivable	**–**	**44,145**	**44,145**	6,004
Net liabilities/(assets) disposed of	**3,356**	**(44,004)**	**(40,648)**	(135)
	3,356	**141**	**3,497**	5,869
Cumulated exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity to profit or loss on loss of control of the subsidiaries	**235**	**11,072**	**11,307**	(4,482)
Gain on disposal	**3,591**	**11,213**	**14,804**	1,387

Notes:

(i) In July 2011, the Group disposed of West Regent Property Limited and its subsidiary (collectively referred to as the "West Regent Group"), which carried out the sales of medical devices and consumables of the Group, to an independent third party for a consideration of HK$1 and the gain on disposal was approximately HK$3,591,000.

The gain on disposal of West Regent Group is included in the loss for the year from discontinued operations in the consolidated statement of comprehensive income.

(ii) In 12 December 2011, the Group disposed of Shanghai Harvest Network Technology Company Limited ("Shanghai Harvest") and its subsidiaries (collectively referred to as the "Shanghai Harvest Group"), which carried out B-to-C consumer services of the Group, to the key management personnel of Shanghai Harvest for a consideration of approximately RMB35,911,000 (equivalent to approximately HK$44,145,000) and the gain on disposal was approximately HK$11,213,000.

The gain on disposal of Shanghai Harvest Group is included in the loss for the year from continued operations in the consolidated statement of comprehensive income.

15. LITIGATIONS

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 of 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 transaction, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants in Hong Kong since May 31, 2011 (the "Litigation"), with relevant details and developments of the Litigation as disclosed in a series of announcements since 3 June 2011.

The latest status of the litigations has been as disclosed in the Company's announcement dated 1 March 2012. China Zhongfu, Shanghai Zhongfu, Anhui Anhe and Shanghai FSY commenced legal proceedings against the Company and others in Shanghai, China.

16. COMPARATIVE AMOUNTS

During the year, the Directors have determined to discontinue the sales of medical devices and consumables business, accordingly the consolidated statement of comprehensive income has been reclassifying to the discontinued operations. Prior year figures have been re-presented accordingly.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The audit opinion on the consolidation financial statements of the Group for the year ended 31 March 2012 has been qualified and is extracted as follows:

"Basis for disclaimer of opinion

Scope limitation – Going concern
The Group had net current liabilities of approximately HK$123,861,000 and net liabilities of approximately HK$118,074,000 as at 31 March 2012. In addition, the Group was unable to redeem the convertible bonds ("CB1") and redeemable convertible cumulative preference shares ("PS"), which have been overdue as at 31 March 2012 with outstanding principal and interests amounts as at 31 March 2012 of approximately HK$46,643,000 and HK$288,676,000 respectively. Both the holders of CB1 and PS conditionally agreed to extend for the CB1 and PS to 17 May 2013.

The consolidated financial statements have been prepared on a going concern basis, the validity of which is depended on the continuous support from the holders of the CB1 and PS and the ability of the Group to restructure its defaulted financial obligations and to generate adequate working capital in the future. However, the evidence available to us was limited. Although the Group received consent letters from the holders of CB1 and PS to conditionally extend the redemption date of the CB1 and PS to 17 May 2013, we were unable to obtain sufficient evidence to satisfy ourselves as to the Group's ability to fulfill the conditions imposed by the holders of the CB1 and PS for the extension. Should the support from the holders of CB1 and PS is not forthcoming and the Group is unable to obtain sufficient financing from other sources, the going concern basis would then be inappropriate.

Should the Group be not able to continue its business as a going concern, adjustments would be necessary to reclassify all non-current assets and liabilities as current assets and liabilities, write down the value of assets to their recoverable amounts and to provide for further liabilities which may arise. The consolidated financial statements have not incorporated any of these adjustments.

Disclaimer of opinion

Because of the significance of the matter described in the basis for disclaimer of opinion paragraph, we do not express an opinion as to whether the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

Other than the disclaimer of opinion stated above, we draw attention to litigations which indicate a major uncertainty related to the outcome of the claims between the Group and other parties. Since the claims are still ongoing, the Directors consider it is unable to determine the final outcome of the claims. Accordingly, no provision has been made in the consolidated financial statements. We consider that appropriate disclosure regarding this fundamental uncertainty has been adequately disclosed in the consolidated financial statements and our opinion is not qualified on this respect."

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2011: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2012, the Group reported a turnover of approximately HK$49.1 million, representing a decrease of 15% as compared to HK$57.6 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$18.6 million as compared to loss of approximately HK$108.5 million for the previous financial year. Basic loss per share for the year was HK$0.04 (2011: HK$0.58).

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, and increasing mobility. 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

The Group's revenue primarily 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 continued to grow a substantial B-to-C consumer service operation in Shandong Province, the 2nd largest provincial mobile top-up market in China, which has been consolidating its #1 market share in mobile top-up distribution there, and in addition, developed a growing distribution network of almost 28,000 POS-enabled retail outlets as of the date there.

For previous several years, the Group's operation of Shanghai mobile top-up, nevertheless, has been facing severe adverse financial impact, successive and substantial downward adjustments of rebate by Shanghai Mobile on distribution of mobile top-up. Under the circumstance and since the beginning of the financial year 2010, the Group has been implementing a strategic growth initiative via its subsidiary Shanghai Harvest Group to position the business operation to move into payments sector. However, since late 2010, the PRC central bank has enacted adverse regulations that virtually would not allow offshore ownership or control in payments sector, and in order to comply with such newly enacted regulations, such strategic growth initiative of expanding into payments sector would have to be aborted. As such and in order to preserve its investment value, the Group had to enter into an agreement to dispose Shanghai Harvest Group during the past financial period, with details of such a very substantial disposal (the "VSD") as disclosed in the circular dispatched on 25 November 2011.

Directors would like to report that the operation of the Group's consumer services business in Shandong has had an increase of about 70% in terms of revenues, based on distribution commission, as compared with the past financial year in 2011.

The Group's business operation of distribution of medical devices/consumables is non-core, and in order to for the Group to concentrate on its major tasks and alleviate the Group's constraints in capital and management resources, the Group disposed it during the past financial period, as disclosed in the annual report for the year ended 31 March 2011.

Review of the Group's financial distress

As of the date, 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 principals of about US$5.00 million and the redeemable convertible preference shares of outstanding principal of 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 years, the directors continue to 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 of 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 transaction, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants in Hong Kong since May 31, 2011 (the "Litigation"), with relevant details and developments of the Litigation as disclosed in a series of announcements since 3 June 2011.

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.

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 the heavy load of allocating substantial resources to the Litigation while sustaining the underlying operations.

Future Prospect

While the Group's HoldCo is facing financial distress and heavy load of allocating substantial resources to the Litigation, ongoing negative impacts on the Group's operating activities and asset injection efforts, the Group is still trying its very best, and at the same time looking forward to the support and cooperation of our shareholders, stakeholders and business partners, to work out a satisfactory solution to HoldCo's solvency problem as the viable avenue to generate shareholder's value.

Liquidity and Capital Resources

As at 31 March 2012, the Group's cash and cash equivalents amounted to approximately HK$32.5 million, where about HK$24.7 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 2012 amounted to about HK$335.3 million, all of which were represented by convertible bonds and redeemable convertible cumulative preference shares.

On this basis, the gearing ratio is calculated at (1.52) (2011: (1.59)), based on an amount of shareholders' equity of HK$(220,034,000) (2011: HK$(218,793,000)).

Contingent Liabilities

As at 31 March 2012, there were no contingent liabilities of the Group.

Charge on Group's Assets

As at 31 March 2012, there was no charge on the Group's assets.

Employees and Remuneration Policy

As at 31 March 2012, the Group employed 52 (2011: 115) staff members. Total staff cost including Directors' emoluments was HK$13.7 million as compared to HK$18.3 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.

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 2012.

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 below deviation:

Under the A.4.1 of the Code, the independent non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the three independent non-executive directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

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 2012.

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.

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

Hong Kong, 29 June 2012

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*