Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

(incorporated in Bermuda with limited liability)
(Stock code: 673)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The Board of Directors (the "Board") of China HealthCare Holdings Limited (the "Company") would like to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2011. These interim financial statements have been reviewed by the Audit Committee of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Notes	**30 September 2011** *HK$'000* **(Unaudited)**	30 September 2010 *HK$'000* (Unaudited) (Restated)
Continuing operations			
Revenue		**32,757**	23,892
Cost of sales		**(12,842)**	(15,384)
Gross profit		**19,915**	8,508
Other income		**1,232**	1,264
Distribution expenses		**(4,915)**	(3,246)
Administrative expenses		**(26,133)**	(20,370)
Other operating expenses		**(8)**	(124)
Fair value gain (loss) on derivative component of redeemable convertible cumulative preference shares		**118,456**	(28,282)
Fair value loss on derivative component of convertible bonds		**–**	(1,583)
Finance costs	*5*	**(44,693)**	(46,922)
Profit (loss) before tax		**63,854**	(90,755)
Income tax expense	*6*	**(2,592)**	(1,595)

* *For identification purpose only*

	Notes	**30 September 2011** *HK$'000* **(Unaudited)**	30 September 2010 *HK$'000* (Unaudited) (Restated)
Profit (loss) for the period from continuing operations	*7*	**61,262**	(92,350)
Discontinued operations			
(Loss) profit for the period from discontinued operations	*10*	**(729)**	3,060
Profit (loss) for the year		**60,533**	(89,290)
Other comprehensive income (expenses)			
Exchange differences arising on translation		**13,548**	1,184
Release of exchange differences upon disposal of subsidiaries		**(283)**	(4,482)
Other comprehensive income (expenses) for the period		**13,265**	(3,298)
Total comprehensive income (expenses) for the period		**73,798**	(92,588)
Profit (loss) for the period attributable to:			
Owners of the Company			
– Profit (loss) for the year from continuing operations		**61,187**	(88,658)
– (Loss) profit for the year from discontinued operations		**(729)**	2,808
Profit (loss) for the period attributable to owners of the Company		**60,458**	(85,850)
Non-controlling interests			
– Profit (loss) for the period from continuing operations		**75**	(3,692)
– Profit for the period from discontinued operations		**–**	252
Profit (loss) for the year attributable to non-controlling interests		**75**	(3,440)
		60,533	(89,290)
Total comprehensive income (expenses) attributable to:			
– Owners of the Company		**72,574**	(89,850)
– Non-controlling interests		**1,224**	(2,738)
		73,798	(92,588)
Basic and diluted earnings (loss) per share (HK$)	*9*		
– From continuing operation		**0.12**	(0.30)
– From discontinued operation		**–**	0.01
		0.12	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2011

	Notes	30 September 2011 HK$'000 (Unaudited)	31 March 2011 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**7,210**	5,034
Other intangible assets		**1,186**	1,329
Prepayment for acquisition of non-current assets		**–**	–
		8,396	6,363
Current assets			
Inventories		**1,959**	2,970
Trade receivables	*11*	**21,732**	20,447
Prepayments, deposits and other receivables		**203,374**	87,201
Loan receivables		**–**	–
Restricted bank balances		**113,537**	100,173
Bank balances and cash		**11,020**	71,998
		351,622	282,789
Current liabilities			
Trade payables	*12*	**92**	92
Other payables and accrued expenses		**41,555**	34,978
Amounts due to directors		**1,648**	545
Derivative component of redeemable convertible cumulative preference shares	*14*	**3,121**	121,577
Secured bank loans		**61,087**	–
Income tax payables		**6,073**	3,496
		113,576	160,688
Net current assets		**238,046**	122,101
Total assets less current liabilities		**246,442**	128,464
Non-current liabilities			
Liability component of convertible bonds	*13*	**45,901**	45,188
Liability component of redeemable convertible cumulative preference shares	*14*	**224,222**	180,755
Deferred tax liabilities		**336**	336
		270,459	226,279
Net liabilities		**(24,017)**	(97,815)
Capital and reserves			
Share capital	*15*	**50,326**	50,326
Reserves		**(196,545)**	(269,119)
Equity attributable to owners of the Company		**(146,219)**	(218,793)
Non-controlling interests		**122,202**	120,978
		(24,017)	(97,815)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 interim report. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, Renminbi ("RMB"). As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the condensed consolidated financial statements in HK$. 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 condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs").

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

In the current period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Improvement to HKFRSs issued in 2010
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (Revised)	Related Party Disclosures
HKAS 32 (Amendment)	Classification of Right Issues
Hong Kong (International Financial Reporting Interpretations Committee) ("HK(IFRIC)") – Interpretation ("Int") 14 (Amendment)	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments.

The application of the new and revised HKFRSs had no material effect on the interim financial report of the Group for the current or prior accounting periods.

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

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adoption[1]
HKFRS 7 (Amendments)	Disclosures – Transfer of Financial Assets[1]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.

The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SEGMENT INFORMATION

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

The Group has involved in B-to-B healthcare services and sales of medical devices and consumables, which were reported as separate operating segments. Sales of medical devices and consumables were discontinued with effect from 31 July 2011 and B-to-B healthcare services were discontinued with effect from 31 July 2010. The information reported on the following does not include any amounts for the discontinued operations which are described in more detail in Note 10.

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

– B-to-C consumer services

– Investment holding

(a) Segment revenues and results

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

Six months ended 30 September 2011

	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
REVENUE			
External sales	32,757	–	32,757
Segment results	14,999	–	14,999
Unallocated corporate expenses			(26,140)
Other income			978
Interest income			254
Fair value loss on derivative component of convertible bonds			–
Fair value loss on derivative component of redeemable convertible cumulative preference shares			118,456
Finance costs			(44,693)
Profit before tax			63,854

Six months ended 30 September 2010

	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
REVENUE			
External sales	23,892	–	23,892
Segment results	(4,919)	–	(4,919)
Unallocated corporate expenses			(10,313)
Other income			791
Interest income			473
Fair value loss on derivative component of convertible bonds			(1,583)
Fair value loss on derivative component of redeemable convertible cumulative preference shares			(28,282)
Finance costs			(46,922)
Loss before tax			(90,755)

Segment results represents the results from each segment without allocation of central administration costs, directors emoluments, other income, interest income, fair value loss/gain on derivative component of convertible bonds, impairment loss recognised in respect of trade and other receivables, fair value gain on derivative component of redeemable convertible cumulative preference shares, finance costs, 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

The following is an analysis of the Group's assets by operating segment:

At 30 September 2011

	B-to-C consumer services *HK$'000*	**Investment holding** *HK$'000*	**Total** *HK$'000*
ASSETS			
Segment assets	**142,123**	**–**	**142,123**
Unallocated corporate assets			**217,895**
Consolidated total assets			**360,018**

At 31 March 2011

	B-to-C consumer services *HK$'000*	Investment holding *HK$'000*	Total *HK$'000*
ASSETS			
Segment assets	81,769	–	92,464
Unallocated corporate assets			196,688
Consolidated total assets			289,152

For the purpose of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank balances and cash and other corporate assets.

5. FINANCE COSTS

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Interests on bank loans wholly repayable within five years	**588**	393
Effective interest expenses on convertible bonds wholly repayable within five years	**713**	2,841
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**43,392**	43,688
	44,693	46,922

6. INCOME TAX EXPENSE

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Continuing operations		
Current tax – PRC	**2,592**	1,595

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 periods.

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 six months ended 30 September 2011 (for the six months ended 30 September 2010: 18% to 25%).

7. PROFIT (LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS

	Six months ended 30 September 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited) (Restated)
Profit (loss) for the period had been arrived at after charging (crediting):		
Continuing operations		
Amortisation of other intangible assets included in administrative expenses	**171**	286
Auditor's remuneration	**180**	131
Depreciation	**752**	1,550
Loss on disposal of/written off of property, plant and equipment	**6**	27
Interest income	**(568)**	(478)

8. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors of the Company do not recommend the payment of an interim dividend for both periods.

9. EARNINGS (LOSS) PER SHARE

For continuing and discontinued operations

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

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit (loss):		
Profit (loss) for the purpose of basic earnings (loss) per share		
Profit (loss) for the year attributable to the owners of the Company	**60,458**	(85,850)

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	**503,259,655**	301,202,079

From continuing operations

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

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit (loss) figures are calculated as follows:		
Profit (loss) for the purpose of basic earnings (loss) per share from continuing operations		
Profit (loss) for the year from continuing operations attributable to the owners of the Company	**61,187**	(88,910)

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

From discontinued operations

For the six months ended 30 September 2011, basic and diluted earnings per share for the discounted operations is HK$Nil per share (for the six months ended 30 September 2010: HK$0.01 per share), based on the loss for the year attributable to owners of the Company from discontinued operations of HK$729,000 (for the six months ended 30 September 2010: HK$3,060,000 profit) and the denominators detailed above for basic and diluted earnings (loss) per share.

10. DISCONTINUED OPERATIONS

(a) On 31 July 2011, the Company entered into a sale agreement to dispose of West Regent Property Limited, which carried out part of the Group's sales of medical devices and consumables operations, on the same day, the Company discontinued its entire sales of medical devices and consumables operation (collectively referred to as the "Sales of Medical Devices and Consumables Group"). The disposal was effected in order to focus the resources on the Group's B-to-C consumer service. The disposal was completed on 31 July 2011, on which date control of the Sales of the Medical Devices and Consumables Group passed to the acquirer.

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

	Six months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Profit of the sales of medical devices and consumables business and B-to-B healthcare services business	**25**	1,673
(Loss) gain on disposal of sales of medical devices and consumables business and B-to-B healthcare services business	**(754)**	1,387
(Loss) profit for the year from discontinued operations	**(729)**	3,060

The results of the sales of medical devices and consumables operations and B-to-B healthcare services operations for the period ended 30 September 2011 and 30 September 2010, which have been included in the consolidated statement of comprehensive income, were as follows:

	Period ended 30/9/2011 *HK$'000* **(Unaudited)**	Period ended 30/9/2010 *HK$'000* (Unaudited) (Restated)
Revenue	**8,621**	15,852
Cost of sales	**(7,042)**	(5,451)
Other income	**11**	2,386
Distribution expenses	**(1,066)**	(5,031)
Administrative expenses	**(478)**	(6,001)
Profit before tax	**46**	1,755
Income tax expenses	**(21)**	(82)
Profit for the period	**25**	1,673

11. TRADE RECEIVABLES

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.

	30 September 2011 *HK$'000* **(Unaudited)**	31 March 2011 *HK$'000* (Audited)
Within 30 days	**21,407**	5,222
31 to 60 days	**160**	342
61 to 90 days	**–**	11,251
91 to 120 days	**–**	573
Over 120 days	**165**	3,059
Total	**21,732**	20,447

12. 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.

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**–**	84
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 120 days	**–**	–
Over 120 days	**92**	8
Total	**92**	92

13. CONVERTIBLE BONDS AND NOTES

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Liability component of convertible bonds		
Convertible bonds issued with equity component *(Note a)*	**45,901**	45,188
Convertible bonds issued with derivative component *(Note b)*	**–**	–
	45,901	45,188
Derivative component of convertible bonds *(Note b)*	**–**	–

The liability component of the convertible bonds is repayable on demand.

Notes:

(a) *Unsubordinated convertible bonds contains liability and equity components*

On 19 May 2005, the Company issued CB1 with a nominal value of US$6,600,000 due on 18 May 2009. CB1 carries interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. CB1 entitles the holder to convert the bonds into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$2.525 per share during the period from 19 May 2005 to 18 May 2009. In addition, if CB1 remain outstanding on the maturity date, the Company will redeem the principal of CB1 at 100% of their face value.

The net proceeds received for the issue of CB1 have been split between the liability component and an equity component. The movement of the liability component is as follows:

	30 September 2011	31 March 2011
	HK\$'000	*HK\$'000*
	(Unaudited)	(Audited)
Carrying amount at the beginning of the period/year	**45,188**	44,320
Exchange realignment	**–**	(2)
Interest charged for the period/year	**713**	1,450
Interest paid for the period/year	**–**	–
Repurchase during the period/year	**–**	(580)
Carrying amount at the end of the period/year	**45,901**	45,188

The effective interest rate of the liability component of CB1 is 5.135% per annum.

In June 2007, the Group agreed to repurchase CB1 with principal amount of approximately US\$820,000 (equivalent to approximately HK\$6,324,000) at a consideration of approximately US\$410,000 (equivalent to approximately HK\$3,198,000) and the settlement took place on 21 June 2007.

In August 2008, the Group agreed to repurchase CB1 with principal amount of approximately US\$320,000 (equivalent to approximately HK\$2,468,000) at a consideration of approximately US\$128,000 (equivalent to approximately HK\$998,400) and the settlement took place on 29 October 2008.

In November 2010, the Group agreed to repurchase CB1 with principal amount of approximately US\$70,000 (equivalent to approximately HK\$580,000) at a consideration of approximately HK\$622,400 and the settlement took place on 15 November 2010.

On 18 May 2009, CB1 had matured, however, due to liquidity problem, the Group was unable to redeem CB1 at maturity. The Group's default in the redemption on the convertible bonds had triggered the Company's early redemption obligation of the convertible bonds and the redeemable convertible cumulative preference shares. Subsequent to the maturity date of CB1, the Company reached an understanding with the major holder of CB1 to conditionally postpone the payment by the Company of the outstanding debts of CB1 for three years to 17 May 2013 if the Group can fulfil the conditions requested by the major holder of CB1, which is a successful injection of substantial external resources into the Group, in short, and as long as no additional issuance of any debts by the Group that will rank pari passu with the CB1 upon and after successful injection of substantial external resources.

(b) *Unsubordinated convertible bonds contains liability and derivative components*

On 1 June 2008, the Company issued CB3 with a nominal value of HK\$20,000,000 due on 1 June 2011. CB3 carries interests at 2% per annum payable semi-annually in arrears with the first interest payment due on 1 December 2008 and the last interest payment due on 1 June 2011. During the period from 1 June 2008 to 1 June 2011, CB3 entitles the holder to convert the bonds into new ordinary shares of the Company at the lower of the following:

(i) the initial conversion price, subject to adjustment, of HK\$1.16. The conversion price was adjusted to HK\$0.3201 per share (subject to adjustment) due to new ordinary shares of the Company were issued at HK\$0.3201 per share on 7 May 2010; and

(ii) 0.9 times the volume-weighted average price of the ordinary shares of the Company, subject to adjustment, for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice.

In addition, if CB3 remain outstanding on the maturity date or the volume-weighted average price of the ordinary shares of the Company for the twenty trading days (the "Share Price") is ever at or below HK$0.30 (the "Threshold"), the Company will be required to redeem the principal of CB3 at 100% of their face value on the demand of the holder(s) of the CB3. Summaries are disclosed in the Company's circular dated 30 April 2008 and details are contained in the instrument of the CB3 issued by the Company on 1 June 2008. Since the Share Price triggered the Threshold in the year ended 31 March 2009, the holder of the CB3 has the right to ask the Company to redeem the CB3 on demand, and relevant disclosure was made in the Company's announcement dated 31 March 2009. Accordingly, CB3 had been reclassified to current liabilities since year ended 31 March 2009.

The fair value of the derivative component, representing the conversion right entitled to the holders of CB3, was estimated at the issuance and the end of each reporting period using Binomial Model and the change in fair value of that component is recognised in profit or loss.

The net proceeds received from the issue of CB3 have been split between the liability component and derivative component as follows:

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Liability component		
At the beginning of the period/year	**–**	7,827
Interest charged for the period/year	**–**	2,293
Reclassify unpaid interests to other payables	**–**	(1,923)
Conversion during the period/year *(Note)*	**–**	(8,197)
At the end of the period/year	**–**	–

	30 September 2011	31 March 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Derivative component		
At the beginning of the period/year	**–**	6,046
Fair value loss	**–**	13,211
Conversion during the period/year	**–**	(19,257)
At the end of the period/year	**–**	–

Note: During the year ended 31 March 2011, the holders of CB3 have exercised the conversion right to convert the convertible bonds 32,341,552 new into ordinary shares in two conversions in August 2010 and one conversion on 24 November 2010. As the directors of the Company consider the fluctuation of the market share price of the shares of the Company during August 2010 is immaterial, therefore, valuations dated on 31 August 2010 and 24 November 2010 were adopted as basis for the purpose of calculating the conversion of ordinary shares. The fair value of the derivative component at 31 August 2010 and 24 November 2010 was revalued based on the valuations by Avista Valuation Advisory Limited, an independent qualified valuer not connected to the Group.

The effective interest rate of the liability component of CB3 is 41.025% per annum for the year ended 31 March 2011.

The derivative component of CB3 was revalued at 24 November 2010 and 31 August 2010 based on valuations by Avista Valuation Advisory Limited, independent qualified valuers not connected to the Group, determined using Binomial Model. The significant inputs to the models were as follows:

	24 November 2010	**31 August 2010**
Share price of underlying shares	HK$0.9	HK$0.85
Exercise price	HK$0.3201	HK$0.3201
Expected volatility	69.5%	72.4%
Expected life	0.5 year	0.75 years
Risk-free rate	0.280%	0.240%
Expected dividend yield	Nil	Nil

(c) *Subordinated convertible notes classified as equity component*

Subordinated convertible notes of RMB13,275,000

On 5 April 2010, the Company issued subordinated convertible notes with a nominal value of RMB13,275,000 (equivalent to HK$15,000,000) due on 4 April 2012 ("SCN1"). SCN1 carries zero coupon rate and entitles the holder to convert the notes into 46,860,356 new ordinary shares of the Company, which fixed the conversion price at RMB0.2832885 (equivalent to HK$0.3201) per share, during the period before the maturity date. If SCN1 remain outstanding on the maturity date, the Company will redeem the principal amount of SCN1 at 100% by issuance of new ordinary shares of the Company at RMB0.2832885 per share.

SCN1 was classified as equity and recorded in the convertible bonds reserve. SCN1 ranked subordinated to existing convertible bonds.

During the year ended 31 March 2011, the holders of SCN1 have converted the SCN1 into new ordinary shares of the Company.

Subordinated convertible notes of RMB44,250,000

On 5 April 2010, the Company entered into a subscription agreement with subscribers to issue subordinated convertible notes with a nominal value of RMB44,250,000 (equivalent to HK$50,000,000) due on one year after the date of issuance ("SCN2"). SCN2 carries zero coupon rate and entitles the holder to convert the notes into 156,201,187 new ordinary shares of the Company, which fixed the conversion price of RMB0.2832885 (equivalent to HK$0.3201) per share, within one year after the date of issuance. If SCN2 remain outstanding on the maturity date, the Company will redeem the principal amount of SCN2 at 100% by issuance of new ordinary shares of the Company at RMB0.2832885 per share. The subscribers subscribed for the SCN2 in the total amount of RMB44,250,000 in aggregate during the year ended 31 March 2011.

SCN2 was classified as equity and recorded in the convertible bonds reserve. SCN2 ranked subordinated to existing convertible bonds.

During the year ended 31 March 2011, the holders of SCN2 have converted the SCN2 into new ordinary shares of the Company.

14. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

On 28 July 2006, the Company issued 15,000 redeemable convertible cumulative preference shares of US$0.01 each for a total cash consideration of US$15,000,000 (equivalent to HK$117,000,000) ("PS"). The PS carries dividend at 2% per annum, subject to adjustment to 5% on certain special events payable semi-annually in arrears. The maturity date of the PS is falling on the fifth anniversary of 28 July 2006 or such later date, not being later than the seventh anniversary of 28 July 2006, as may be agreed in writing between the Company and the holders of the PS. At any time from 28 July 2006 to maturity date, each PS entitles the holder to convert the preference shares into new ordinary shares of the Company at the lower of the following:

(a) the initial conversion price, subject to adjustment, of HK$1.16 per share. The conversion price was adjusted to HK$0.3201 per share (subject to adjustment) to new ordinary shares of the Company were issued at HK$0.3201 per share on 7 May 2010; and

(b) 0.9 times the volume-weighted average price of the ordinary shares of the Company, subject to adjustment, for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice.

In addition, the holder of the PS shall have the right at any time to require the Company to redeem all or any of the outstanding PS held by it at the early redemption amount of such number of PS so redeemed, provided that the holder of the PS may not exercise such right prior to the maturity date if and for so long as any of certain special events shall not have occurred. Details are disclosed in the Company's circular dated 16 June 2006.

Special events included:

(i) any consolidation, amalgamation or merger of the Company with any other corporation which results in the Company ceasing to exist as an independent legal entity or any sale of all or substantially all of the assets of the Company or any reorganisation or any other transaction where there is or which will result in a change in control (as defined in the Takeovers Code) of the control of the Company;

(ii) material default by the Company or any of its subsidiaries in the performance, observance or fulfilment of any of the obligations, covenants or conditions contained in any material agreement or instrument to which any of them is a party and, if such default is capable of being remedied, fails to remedy such default within 10 days of being required in writing to do so by any of the holder to the preference shares ("Preference Shareholders");

(iii) the persons who are directors on the issue date or persons appointed to act as directors in their stead (the "Replacement Directors"), with the approval of all of the other persons who are acting as directors at the time of appointment of the Replacement Directors, cease to represent a majority in number of the persons acting as directors at the relevant time;

(iv) the acceleration of the maturity of any other present or future indebtedness of the Company or any of its subsidiaries exceeding US$1,500,000 in aggregate principal amount outstanding (or its equivalent in any other currency) by reason of an event of default (as described and specified therein) or any such indebtedness exceeding US$1,500,000 (or its equivalent in any other currency) is not paid within any applicable grace period provided for or, if none, on the due date therefore;

(v) a Directors' resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a material part of its business or assets;

(vi) an effective resolution is passed for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a material part of its business or assets; a petition is presented or a proceeding is commenced for the winding-up, insolvency, administration, reorganisation, reconstruction, dissolution or bankruptcy of the Company or for the appointment of a liquidator, receiver, administrator, trustee or similar officer of the Company or of all or a substantial part of its business or assets and is not discharged within 5 days; if the Company stops or suspends payments to its creditors generally or is unable to admits its inability to pay its debts as they fall due or seeks to enter into any composition or other arrangement with its creditors or is declared or becomes bankrupt or insolvent; or if a creditor takes possession of all or a material part of the business or assets of the Company or any execution or other legal process is enforced against the business or any substantial asset of the Company and is not discharged within 5 days;

(vii) the listing or trading of the ordinary share on the Stock Exchange (or any stock exchange other than the Hong Kong Stock Exchange on which the ordinary shares, if not then listed on the Hong Kong Stock Exchange, are listed, (the "Alternative Stock Exchange"), as the case may be) is revoked, withdrawn or suspended for a continuous period of 15 trading days;

(viii) material breach by the Company of any of its representations, warranties, covenants or undertakings in the agreement and, if such breach is capable of being remedied, fails to remedy such breach within 10 days of being required in writing to do so by any of the Preference Shareholders;

(ix) material breach by the Company of any of the covenants or undertakings as set forth in Bye-law 9A(12) and, if such breach is capable of being remedied, fails to remedy such breach within 10 days of being required in writing to do so by any of the Preference Shareholders; or

(x) the auditors of the Company issue a qualified opinion in respect of any audit report of the Company.

As mentioned in note 13(a) above, the Group was unable to redeem CB1 which had been matured on 18 May 2009, the Company was in breach of the special event as mentioned in note (ii) above. The Company also breached the special event in note (x) above as the auditor's opinion of the Group was disclaimed since the year ended 31 March 2009. It triggered the Company's early redemption obligation of the PS. Accordingly, the PS had been reclassified to current liabilities since the year ended 31 March 2010. For the year ended 31 March 2011, the PS holder have signed a consent letter to agree a maturity extension to 17 May 2013 with all other terms and conditions of the PS being retained unchanged and to a standstill of redemption rights under the PS before the extended maturity date of PS as long as the Group is pursuing viable opportunities of asset injection; and that upon the completion of such asset injection, the PS holders agree to turn the outstanding PS to equity of the Group. Accordingly, the PS had been reclassified to non-current liabilities as at 31 March 2011.

The fair value of the derivative component, representing the conversion right entitled to the holders of PS, was estimated at the issuance and the end of each reporting period using Binomial Model and the change in fair value of that component is recognised in profit or loss.

The movement of the liability and derivative components of PS during the period/year is set out below:

	30 September 2011 HK$'000 (Unaudited)	31 March 2011 HK$'000 (Audited)
Liability component		
At the beginning of the period/year	**180,755**	176,820
Exchange realignment	**75**	615
Interest charged for the period/year	**43,392**	98,547
(Gain) Loss on recalculation of liability component of redeemable convertible cumulative preference shares	**–**	(95,227)
At the end of the period/year	**224,222**	180,755

	30 September 2011 HK$'000 (Unaudited)	31 March 2011 HK$'000 (Audited)
Derivative component		
At the beginning of the period/year	**121,577**	6,239
Fair value (gain) loss	**(118,456)**	115,338
At the end of the period/year	**3,121**	121,577

On 18 May 2009, due to the Group's default in the redemption on the CB1, the Company's early redemption obligation of PS was triggered. Details are set out in note 13. The liability component included the early redemption obligation at that day is approximately HK$114,218,000 with effective interest rate of 60% per annum.

As at 30 September 2011, the effective interest rate of the liability component of PS is 60% per annum for the six months ended 30 September 2011 and year ended 31 March 2011.

The derivative component of PS were revalued at 30 September 2011 and 31 March 2011 based on valuations by Avista Valuation Advisory Limited, an independent qualified valuer not connected to the Group, determined using Binomial Model. The significant inputs to the models were as follows:

	30 September 2011	31 March 2011
Share price of underlying shares	**HK$0.305**	HK$1.10
Exercise price	**HK$0.3064**	HK$0.3201
Expected volatility	**69.90%**	71.90%
Expected life	**1.63 years**	2.13 years
Risk-free rate	**0.240%**	0.937%
Expected dividend yield	**Nil**	Nil

15. SHARE CAPITAL

	Number of shares	**Share capital** *HK$'000*
Authorised:		
At 1 April 2010, 30 September 2010, 31 March 2011, 1 April 2011 and 30 September 2011		
Ordinary shares of HK0.1 each	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2010	262,021,577	26,202
Issue of new shares through conversion of convertible bonds *(Note a)*	130,678,501	13,068
Exercise of share options *(Note c)*	2,442,000	244
At 30 September 2010	395,142,078	39,514
Issue of new shares through conversion of convertible bonds *(Note b)*	104,814,587	10,482
Exercise of share options *(Note c)*	3,303,000	330
At 31 March 2011 and 30 September 2011	503,259,665	50,326

Note a:

During the six months ended 30 September 2010, the holders of CB3, SCN1 and SCN2 converted HK$41,830,195 convertible bonds into 130,678,501 ordinary shares of HK$0.1 each in the Company.

Note b:

During the six months ended 31 March 2011, the holders of CB3, SCN1 and SCN2 converted HK$33,551,145 convertible bonds into 104,814,587 ordinary shares of HK$0.1 each in the Company. The details of conversion are as follow:

Conversion period	**No. of ordinary shares of HK$0.1 each**	**Price per share**	**Conversion principal amount**
		HK$	*HK$*
CB3			
November 2010	10,531,552	0.3201	3,371,150
SCN1			
November 2010	562,324	0.3201	179,995
SCN2			
March 2011	93,720,711	0.3201	30,000,000
Total	104,814,587		33,551,145

Note c:

On 14 September 2010, 28 October 2010, 5 November 2010, 24 November 2010 and 2 February 2011, a total of 5,745,000 share options were converted into 5,745,000 ordinary shares of HK$0.1 each in the Company with exercise price of HK$0.5 per share.

All the shares issued rank pari passu in all respect with the existing shares of the Company.

16. EVENTS AFTER THE REPORTING PERIOD

In addition to those disclosed elsewhere in these financial statements, the Group had the following material events after 30 September 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"). 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").

On 3 October 2011, the Plaintiffs and the Defendants came before the Court of First Instance and the Court directed that (i) the Defendants return HK$44,000,000 (the "HK$ Deposit") previously advanced by the Plaintiffs to the Defendants; and (ii) the Plaintiffs return RMB37,928,000 (the "RMB Deposit") previously advanced by the Defendants to the Plaintiffs. It is the Company's position that, upon the Defendants' request, the HK$ deposit was advanced by the Plaintiffs as the cash consideration for the acquisition of assets. Reciprocally, the RMB Deposit (being at the relevant time roughly equivalent in value to the HK$ Deposit) was intended to secure the performance of the Agreement by the Defendants. Following the Plaintiff's Amended Statement of Claim seeking damages arising from the Defendant's failure to complete the acquisition of assets and the resulting termination or rescission of the Agreement, the Court directed that these sums be returned. The RMB Deposit is held in an escrow account and its return will have no effect on the Company's current financial position. Please refer to the Company's announcements dated 3 June 2011, 12 June 2011, 15 July 2011, 26 September 2011, 4 October 2011 and 17 November 2011 for more details regarding the Proceedings.

(b) Subsequent to the six months ended 30 September 2011, the Group are in the process of disposing its entire interest in Shanghai Harvest Network Technology Company Limited and its subsidiaries 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 ("上海匯趣電子商務有限公司") on 15 September 2011, to dispose of Shanghai Harvest Group at a consideration of approximately RMB35,911,000 (the "Transaction"). This transaction constitutes a very substantial disposal and a connected transaction for the Company under Chapter 14 of the Listing Rules.

17. COMPARATIVE AMOUNTS

During the year ended 31 March 2010, the revenue from B-to-C consumer services was recognised from the sale of mobile pre-charge. Effective from 1 April 2010, the subsidiaries of the Company entered into consignment agreements to replace the previously signed agreements. In the consignment agreements, the subsidiaries of the Company are entitled to act as agents of consignors to distribute the mobile pre-charge and receive and record the commission as the revenue in return. Moreover, the Group discontinued its entire business of sales of medical devices and consumables with effect on 31 July 2011, thus, the business was classified as discontinued operations during the six months ended 30 September 2011. Therefore, certain comparative amounts have been restated in order to conform to the current period presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Dividends

During the six months ended 30 September 2011, the revenue of the Group was HK$32.8 million, representing an increase of 37% as compared to HK$23.9 million (restated) for the previous period and profit attributable to shareholders of HK$60.5 million (2010: loss of HK$85.9 million). The basic earnings per share for the period was HK0.12 (2010: loss per share of HK$0.29).

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

BUSINESS OPERATION

During the interim period, 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

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 interim period, the Group managed to grow out a substantial 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 27,000 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 become the Group's primary revenue generating operation.

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 in paper form. Under the circumstance and since the beginning of the past financial year, 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 stringently regulate 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 interim period, with details of such a very substantial disposal (the "VSD") as disclosed in the announcement dated 9 October 2011 and 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 37% in terms of revenues, based on distribution commission, as compared with the same period in 2010.

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 interim period, as disclosed in the annual report dispatched on 16 September 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 principal of about US$5.39 million 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 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 since 31 May 2011, with details as disposed in a series of announcements from 3 June 2011 to 17 November 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.

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.

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 satisfactory solution to HoldCo's solvency problem.

Liquidity and Financial Resources

As at 30 September 2011, the total assets of the Group is approximately HK$360 million and net current assets of approximately HK$238 million, representing a current ratio of 3.10 (31 March 2011: 1.76). At the balance sheet date, the total borrowings of the Group amounted to approximately HK$334 million (31 March 2011: HK$348 million), represented by convertible bonds, redeemable convertible cumulative preference shares and secured bank loans. The gearing ratio of the Group as at 30 September 2011 is (2.29) (31 March 2011: (1.59)), which was calculated on an amount of shareholders' equity of approximately HK$(146 million) (31 March 2011: HK$(219 million)).

As at 30 September 2011, the Group had outstanding interest-bearing bank borrowings amounted to approximately HK$61 million (equivalent to RMB50 million) (31 March 2011: nil). All were repayable within one year and were denominated in RMB. Bank loan of approximately HK$37 million (equivalent to RMB30 million) were interest-bearing with floating interest rate and bank loan of approximately HK$24 million (equivalent to RMB20 million) were charged at a rate of 7.015% per annum. The bank loans were secured by bank deposits and a corporate guarantee of the subsidiaries of the Company amounting to approximately RMB30 million and RMB40 million respectively.

Contingent Liabilities

As at 30 September 2011, there was no contingent liability of the Group.

Charge on Group's assets

As at 30 September 2011, save as disclosed in the section headed "Liquidity and Financial Resources", there was no other charge on the Group's assets.

Human Resources

As at 30 September 2011, the Group employed 129 (31 March 2011: 115) employees.

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 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

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 30 September 2011, except for the following:–

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 not established a Nomination Committee. The duties and functions of the Nomination Committee recommended in the Code are performed by the Board collectively with no director being involved in fixing his/her own terms of appointment and no independent non-executive director being involved in assessing his/her own independence.

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards as set out in the Model Code during the period.

Audit Committee

The Company's audit committee comprises three independent non-executive directors. Its terms of reference have been modified to incorporate certain provisions with reference to the Appendix 14 of the Listing Rules. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2011.

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

Hong Kong, 30 November 2011

As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Dr. Li Zhong Yuan and Mr. Zhou Bao Yi; one non-executive director, namely Mr. Martin Treffer; and three independent non-executive directors, namely Dr. Mu Xiangming, Mr. Jiang Bo and Dr. Yan Shi Yun.