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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 2014

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 2014 together with the comparative figures for the corresponding year ended 31 March 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
Revenue	*6*	**37,720**	23,128
Cost of services		**(27,136)**	(11,068)
Gross profit		**10,584**	12,060
Other income	*7*	**123**	1,201
Selling and distribution expenses		**(9,269)**	(11,947)
Administrative expenses		**(37,156)**	(31,920)
Finance costs	*8*	**(65,937)**	(140,420)
Impairment loss of intangible assets		**(41,614)**	–
Extinguishment of liability component of redeemable convertible cumulative preference shares	*17*	**35,692**	293,643
Fair value (loss)/gain on derivative component of redeemable convertible cumulative preference shares	*17*	**(571)**	6,875
(LOSS)/PROFIT BEFORE TAX	*9*	**(108,148)**	129,492
Income tax	*10*	**(598)**	(270)
(LOSS)/PROFIT FOR THE YEAR		**(108,746)**	129,222

	Notes	For the year ended 31 March **2014** *HK$'000*	2013 *HK$'000*
Attributable to:			
Owners of the Company		**(67,570)**	140,609
Non-Controlling interests		**(41,176)**	(11,387)
		(108,746)	129,222
(LOSS)/EARNINGS PER SHARE	*11*		
Basic		**(10.9)**	26.4
Diluted		**(10.9)**	25.9

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE YEAR	**(108,746)**	129,222
Other comprehensive income/(loss):		
Exchange differences on translation of foreign operations	**1,311**	(3,475)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(107,435)**	125,747
Attributable to:		
Owners of the Company	**(67,375)**	137,143
Non-controlling interests	**(40,060)**	(11,396)
	(107,435)	125,747

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**469**	1,606
Goodwill		**742**	–
Intangible assets	*12*	**–**	50,531
Financial assets		**1,579**	2,150
Other receivables	*14*	**1,512**	3,218
Total non-current assets		**4,302**	57,505
CURRENT ASSETS			
Trade receivables	*13*	**55,313**	28,257
Prepayments, deposits and other receivables	*14*	**124,592**	192,301
Restricted bank balances		**5,727**	9,927
Cash and bank balances		**20,951**	4,302
Total current assets		**206,583**	234,787
CURRENT LIABILITIES			
Trade payables	*15*	**13,894**	6,188
Other payables and accrued expenses		**32,506**	33,370
Amounts due to directors		**506**	3,096
Interest-bearing loans from a director and a shareholder		**552**	8,453
Liability component of convertible bonds	*16*	**49,635**	48,064
Liability component of redeemable convertible cumulative preference shares	*17*	**130,686**	115,503
Tax payables		**2,881**	3,245
Preference shares dividend payable of a subsidiary		**72,757**	59,470
Promissory note		**8,000**	18,000
Total current liabilities		**311,417**	295,389
NET CURRENT LIABILITIES		**(104,834)**	(60,602)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(100,532)**	(3,097)
Net liabilities		**(100,532)**	(3,097)

		As at 31 March	
		2014	2013
	Notes	***HK$'000***	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*18*	**63,329**	60,326
Reserves		**(204,940)**	(144,562)
		(141,611)	(84,236)
Non-controlling interests		**41,079**	81,139
Total equity		**(100,532)**	(3,097)

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.

The principal activity of the Company is investment holding, the principal activities of its subsidiaries are engaged in the provision of B-to C consumer services, healthcare services and distribution of cooling system.

2. BASIS OF PRESENTATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the following:

(i) The Group had net current liabilities of approximately HK$104,834,000 and net liabilities of approximately HK$100,532,000 as at 31 March 2014;

(ii) The liability component of convertible bonds ("CB") with interest at amortised cost of approximately HK$49,635,000 as at 31 March 2014; and

(iii) The liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK$130,686,000 as at 31 March 2014 which was originally past due but conditionally extended to 31 March 2015.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon whether the holders of the CB and PS agree to further extend the redemption date for the CB and PS. As at the date of this announcement, the Company obtained verbal confirmation from the majority of CB holder that they will be in standstill to defer the redemption date of the CB. The Company is currently discussing the details of the extension, including but not limited to the terms and conditions of the CB, and will enter into formal extension agreement in due course. In addition, the Company has entered into a supplemental agreement with PS holder, in consideration of the Subscription Agreement of the Convertible Note dated 3 June 2014 (the "Subscription of Convertible Note"), should the Company fail to complete the Subscription of Convertible Note, the PS holder agreed to further extend the settlement date to 31 March 2015.

Furthermore, the Group has been in the active process of fund arisings, and meanwhile implementing stringent cost control measure to further improve the liquidity position of the Group. Under these circumstances, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2014 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. 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 applied the following new and revised HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 — 2011 Cycle
Amendments to HKFRS 7	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK(IFRIC) - Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27 "*Consolidated and Separate Financial Statements*" relating to the presentation of consolidated financial statements and HK(SIC) Int 12 "*Consolidation – Special Purpose Entities*". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its investment with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption dose not change any of the control conclusions reached by the Group in respect of its investment with other entities as at 1 April 2013.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interest in subsidiaries and associates. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Disclosure of interest in subsidiaries is made in the respective note to the financial statements. The adoption of this standard did not materially affect the disclosures of the Group in the current and last years.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations[5]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) - Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for annual periods beginning on or after 1 January 2016

The directors anticipate that the application of the new and revised HKFRSs will have no material impact on the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Directors being the 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.

For management purposes the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

– B-to-C consumer services;
– Healthcare service; and
– Distribution of cooling system.

The healthcare service segment is a new business segment through an acquisition of a subsidiary by the Group during the year.

Segment assets excluded 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, amounts due to directors, liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares, promissory note, preference shares dividend payable of a subsidiary 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 (i.e. B-to-C consumer services) during the years ended 31 March 2013.

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 March 2014.

	B-to-C Consumer Service	**Healthcare service**	**Distribution of cooling system**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue				
Revenue from external customers	20,568	17,152	–	37,720
Segment results	(13,372)	1,595	(50,559)	(62,336)
Reconciliation:				
Interest income and unallocated income				35,815
Corporate and other unallocated expenses				(15,690)
Finance costs unallocated				(65,937)
Loss before tax				(108,148)
Depreciation and amortisation	940	–	8,917	9,857
Reconciliation:				
Unallocated depreciation and amortisation				81
				9,938

The following table is an analysis of the Group's assets and liabilities and other segment information for the years ended 31 March 2014 and 2013:

	B-to-C consumer service		Healthcare service		Distribution of cooling system		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**81,433**	166,220	**6,108**	–	**–**	51,227	**87,541**	217,447
Corporate and other unallocated assets							**123,344**	74,845
Total assets							**210,885**	292,292
SEGMENT LIABILITIES	**24,983**	10,498	**4,809**	–	**2**	700	**29,794**	11,198
Corporate and other unallocated liabilities							**281,623**	284,191
Total liabilities							**311,417**	295,389
Other segment information								
Interest income							**123**	133
Depreciation							**1,021**	1,377
Amortisation of intangible assets							**8,917**	2,972
Capital expenditure							**3**	1,485

Geographical information

For the years ended 31 March 2014 and 2013, 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 2014, the Group had transactions with 2 (2013: 1) customers who contributed over 10% of the Group's total net revenue, which is summarised below:

	Year ended 31 March	
	2014	2013
	HK$'000	*HK$'000*
Customer 1	**20,568**	23,128
Customer 2	**16,937**	–
	37,505	23,128

6. REVENUE

Revenue, which is also the Group's turnover, represented the commission income earned from provision of B-to-C consumer service and the income from provision of healthcare service. An analysis of revenue is as follows:

	2014	2013
	HK$'000	*HK$'000*
Commission income earned from provision of B-to-C consumer service	**20,568**	23,128
Income from provision of healthcare service	**17,152**	–
	37,720	23,128

7. OTHER INCOME

	2014	2013
	HK$'000	*HK$'000*
Interest income	**123**	133
Others *(note)*	**–**	1,068
	123	1,201

Note: During the year ended 31 March 2013, others mainly represent waiver of current account due to a former subsidiary.

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2014	2013
	HK$'000	*HK$'000*
Dividend payable to convertible preference share issued by a subsidiary	**13,392**	13,402
Interests on loans from a director and a shareholder	**99**	401
Effective interest expenses on convertible bonds wholly repayable within five years	**1,571**	1,422
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**50,875**	125,195
	65,937	140,420

9. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is arrived at after charging the following:

	2014	2013
	HK$'000	*HK$'000*
Auditor's remuneration	**700**	900
Depreciation of property, plant and equipment	**1,021**	1,377
Amortisation of intangible asset	**8,917**	2,972
Rental expenses in respect of office premises	**759**	512
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**5,766**	6,270
– Contributions to defined contribution retirement plans	**333**	2,839

10. INCOME TAX

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 PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2013: 25%).

	2014	2013
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**598**	189
Underprovision in prior years	**–**	81
	598	270

11. (LOSS)/EARNINGS PER SHARE

	2014	2013
	HK$'000	*HK$'000*
(Loss)/profit attributable to owners of the Company, used in the basis (loss)/earnings per share calculation:	**(67,570)**	140,609

Number of shares	**2014**	2013
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**622,018**	531,479

(a) Basic (loss)/earnings per share

For the year ended 31 March 2014, the calculation of basic loss per share amount is based on the net loss for the year of HK$67,570,000 (2013: profit of HK$140,609,000) attributable to the equity holders of the Company, and weighted average of approximately 622,018,000 (2013: approximately 531,479,000) ordinary shares in issue during the year.

(b) Diluted (loss)/earnings per share

For the year ended 31 March 2014, the convertible financial instruments had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share. Accordingly, no diluted loss per share has been presented.

For the year ended 31 March 2013, the calculation of diluted earnings per share amount is based on the net profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest expenses on convertible bonds. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares of approximately 531,479,000 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares approximately 16,619,000 assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares at the beginning of the year.

12. INTANGIBLE ASSETS

Intangible assets represents the exclusive distribution right for selling cooling systems in the PRC which was acquired through the acquisition of Anew Capital Limited during the year ended 31 March 2013 for a total consideration of HK$50 million, which was satisfied by issuance of 100,000,000 consideration shares and HK$18 million by the issuance of the promissory note.

Due to highly uncertainty of government policy and market condition, the carrying amount of approximately HK$41,614,000 has been fully impaired and recognised in the profit or loss for the year ended 31 March 2014 (2013: Nil).

13. TRADE RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**55,313**	28,257

The normal credit period granted to customer is 180 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:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**3,540**	5,235
1 to 3 months	**8,616**	5,730
Over 3 months	**43,157**	17,292
	55,313	28,257

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Other receivables *(note (i)(ii))*	**93,874**	155,502
Less: Non-current portion of other receivables *(note (ii))*	**(1,512)**	(3,218)
	92,362	152,284
Deposits *(note (iii))*	**32,140**	39,550
Prepayments	**90**	467
Current portion of prepayments, deposits and other receivables	**124,592**	192,301

Notes:

(i) Approximately RMB69,315,000 (equivalent to approximately HK$87,316,000) (2013: RMB79,333,000 equivalent to approximately HK$98,226,000) were amounts of sales proceeds of and due from the disposed subsidiaries;

(ii) Under non-current portion and current portion are amount of approximately HK$1,512,000 and HK$4,671,000 respectively with respect to a secured loan of RMB8,000,000 granted by the Group to an independent third party pursuant to a loan agreement dated 26 July 2011, the loan is interest-free and repayable within 5 years;

(iii) Approximately RMB25,000,000 (equivalent to approximately HK$31,493,000) were deposit for customer services.

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which no recent history of default.

15. TRADE PAYABLES

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

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**13,216**	6,188
1 to 3 months	**678**	–
	13,894	6,188

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

16. LIABILITY COMPONENT OF CONVERTIBLE BONDS

Liability component of convertible bonds comprise of the following:

	2014	2013
	HK$'000	*HK$'000*
Principal amount	**42,042**	42,042
Interest payable	**6,718**	5,464
Charge on interest overdue	**875**	558
	49,635	48,064

17. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

On 28 July 2006, the Company entered into a preference share agreement ("Original Agreement") and issued 15,000 Preference Shares ("PS") of US$0.01 each for a total cash consideration of US$15,000,000 (approximately HK$117,000,000). The PS holder is entitled to 2% dividend per annum or 5% compounded semi-annually subject to occurrence of special events as defined in the Original Agreement. Such maturity date is falling on the 5th anniversary of 28 July 2006 (i.e. 27 July 2011) or such later date ("conversion period"), but not later than the 7th anniversary of which the specific terms will be subjected to future agreement. An option embedded therein was granted to the PS holder that the preference shares could be converted at any time during the conversion period at the lower of HK$0.3201; and 0.9 times of the volume-weighted average price of the Company's ordinary shares for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice; such redemption amount shall include a markup of 20% per annum on the sum of principal and accumulated dividend payable at any early redemption date.

On 24 November 2012, the Company entered into a supplementary agreement ("Modification Agreement") with the PS holder pursuant to which, the Company agreed to use its best endeavors to procure the fund raising to raise not less than US$15 million (or its HK$ equivalent) in net proceeds for the Company, of which US$15 million (or its HK$ equivalent) shall be applied to redeem the Preference Shares, on or before the 31 March 2013. Meanwhile, PS Holder agreed that it would not require the Company to redeem the Preference Shares nor would it exercise its conversion rights attached to all or any part of the Preference Shares at any time before 31 March 2013.

Subject to completion of the Fund Raising, the Company will redeem, and PS holder will accept the redemption of, all of the Preference Shares and in full and final settlement of all rights that PS Holder may have in respect of the Preference Shares whether under the Bye-laws of the Company or otherwise at an aggregate price of not more than US$19 million, which shall be satisfied as to US$15 million by payment of cash and as to not more than US$4 million by the issue of a promissory note by the Company.

On 31 March 2013, the Company has further revised the Modification Agreement by entering into a supplementary agreement ("Supplementary Agreement") with the PS holder. Pursuant to which, the Company shall redeem, and PS holder shall accept to extend the date of full and final settlement on or before 30 November 2013. In addition, the Supplementary Agreement specifically granted a conversion right to the Company that the sum of accumulated dividend payable from 1 December 2012 to 30 November 2013 is eligible to be settled by procuring ordinary shares of the Company at a predetermined price of HK$0.3201 or by cash at the date of maturity.

On 28 June 2013, the Company and the PS holder entered into an amendment agreement to the Supplementary Agreement of the Preference Shares Agreement dated 31 March 2013 (the "Amendment Agreement").

Pursuant to the Amendment Agreement, the final settlement date to redeem the Preference Shares is extended from 30 November 2013 to 30 June 2014 provided that a non-refundable deposit of HK$10 million (the "Deposit") will be made to the PS holder before or by 29 June 2013 and the PS holder shall have the right to forfeit the Deposit if the redemption of the Preference Shares does not take place on or before 30 November 2013.

The calculation and settlement of the dividends of the Preference Shares from 1 December 2013 to 30 June 2014 shall be 6% per annum and the Company shall have the right to settle by way of share issuance of shares to the PS holder at a pre-determined price of HK$0.3201 per share.

Since the terms of the Modification Agreement, Supplementary Agreement and Amendment Agreement were different from the Original Agreement, hence, the financial liability are extinguished. The valuations were carried out by an independent qualified professional valuation firm not connected to the Group.

(i) Liability component

	2014	2013
	HK$'000	*HK$'000*
At the beginning of the year	**115,503**	281,801
Interest charged for the year	**50,875**	125,195
Extinguishment of financial liability charged to profit or loss	**(35,692)**	(291,493)
At the end of the year	**130,686**	115,503

The fair value of the liability component of preference shares is determined using the discounted cash flow model ("DCF") with reference to the parameters as follows:

	Modification Agreement	**Supplementary Agreement**	**Amendment Agreement**
Effective interest rates	53.34%	48.81%	58.14%
Year	0.35	0.67	0.26
Dividend	semi-annual	semi-annual	semi-annual
Dividend per annum	5%	5%	6%

(ii) Embedded derivative

	2014	2013
	HK$'000	*HK$'000*
At the beginning of the year, (asset)/liability	**(2,150)**	6,875
Fair value change charged/(credited) to profit or loss	**571**	(6,875)
Initial recognition as a result of Supplementary Agreement credited to profit or loss	**–**	(2,150)
At the end of the year, asset	**(1,579)**	(2,150)

The fair value of the embedded derivative of preference shares is determined using the Black Scholes Option Pricing Model with reference to the parameters as follows:

	Supplementary Agreement
Time to maturity	0.668
Risk free rate	0.1%
Volatility	110.5%
Strike price	HK$0.32
Spot price	HK$0.30

18. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK0.1 each		
At 1 April 2012, 31 March 2013, 1 April 2013 and 31 March 2014	100,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2012	503,259,665	50,326
Issue of consideration shares *(note i)*	100,000,000	10,000
At 31 March 2013	603,259,665	60,326
Issue of loan share upon loan capitalisation *(note ii)*	30,030,030	3,003
At 31 March 2014	**633,289,695**	**63,329**

Notes:

(i) During the year ended 31 March 2013, the Company issued 100,000,000 ordinary shares as part of the consideration for the acquisition of the entire interests of Anew Capital Limited and its subsidiaries.

(ii) On 15 August 2013, the Company capitalised the principal amount of HK$10 million of promissory note by means of issuing and allotting the 30,030,030 ordinary shares to the promissory note holder.

19. 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 "Proceeding"). On 6 May 2013 the parties to the Proceeding have reached an agreement to settle the Proceeding, as a result the Proceeding will be discontinued and this brings to an end the VSA. Relevant details and developments of the Proceeding are disclosed in a series of announcements since 3 June 2011.

20. POST BALANCE SHEET EVENTS

(i) On 8 April 2014, the Company and the Subscribers entered into the Subscription Agreements (the "Subscription 1"), pursuant to which the Company conditionally agreed to issue, and the Subscribers conditionally agreed to subscribe for, the Convertible Notes in an aggregate principal amount of HK$225,000,000. The Company further agreed to grant to the Subscribers the Options, pursuant to which the Subscribers have the right to request the Company to issue the Option CN to them on the same terms and conditions of the Convertible Notes and in an aggregate principal amount of not more than that of the Convertible Notes at any time within the Option Period. Up to the date of this announcement, the Subscription 1 has not been completed as certain condition precedents have not been fulfilled.

(ii) On 15 May 2014, Mr Wang Jingming has been appointed as an executive director of the Company.

(iii) On 23 May 2014, the Company and the Subscribers entered into four separate Subscription agreements to subscribe an aggregate of 50,000,000 shares of the Company, at HK$0.212, under general mandate, to independent third parties (the "Subscription 2"). The net proceeds to the Company are approximately HK$10.4 million. As at the date of this announcement, the 50,000,000 shares has placed successfully.

(iv) On 3 June 2014, the Company, the Subscriber and the Guarantor entered into the Subscription Agreement (the "Subscription 3"), pursuant to which the Company conditionally agreed to issue, and the Subscriber conditionally agreed to subscribe for, the Convertible Note in principal amount of HK$195,000,000. Up to the date of this announcement, the Subscription 3 has not been completed as certain condition precedents have not been fulfilled.

(v) On 30 June 2014, the Company and the preference share holder entered into an supplementary agreement to the Amendment Agreement of the Preference Shares Agreement dated 28 June 2013 (the "Supplementary Agreement 2014"). Pursuant to the Supplementary Agreement 2014, subject to the completion of the subscription agreement of the convertible note dated 3 June 2014 (the "Subscription of Convertible Note") as announced on 3 June 2014, the Company should redeem the Preference Shares principal in 5 days after the completion of the Subscription of Convertible Note, and settle all dividends. Should the company fail to complete the Subscription of Convertible Note, the settlement date to redeem the Preference Shares is further extended to 31 March 2015.

Pursuant to the Supplementary Agreement 2014, the calculation and settlement of the dividends of the Preference Shares shall be (1) US$4 million from 28 July 2006 to 30 November 2012 (the "Dividend I"), which shall be settled by promissory notes issued by the Company; (2) 5% per annum from 1 December 2012 to 30 November 2013 (the "Dividend II"), for which the Company shall have the right to settle by way of issuance of shares to the preference share holder at a pre-determined price of HK$0.25 per share; (3) 6% per annum from 1 December 2013 to 30 June 2014 (the "Dividend III"), for which the Company shall have the right to settle by way of issuance of shares to the preference share holder at a pre-determined price of HK$0.25 per share; and (4) 7% per annum from 1 July 2014 to 31 March 2015 (the "Dividend IV"), for which the Company shall have the right to settle by way of issuance of shares to the preference share holder at a pre-determined price of HK$0.15 per share.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2014 has been qualified and is extracted as follows:

Scope limitation – Going concern

In forming our opinion, we have considered the adequacy of the disclosure made in note 2 to the consolidated financial statements which explains the circumstances given rise to the fundamental uncertainties on the adoption of going concern basis in relating to (i) the liability component of convertible bonds ("CB") with interest at amortised cost of approximately HK$49,635,000 as at 31 March 2014, which has been past due and (ii) the liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK$130,686,000 as at 31 March 2014, which was originally past due but extended to 30 June 2014. This situation indicates the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the holders of CB verbally agree to extend the redemption date of the CB. In addition, holder of PS has entered the agreement to conditionally extent the final settlement date to 31 March 2015. However, the evidence available to us was limited. Although the Group has entered the agreement with the holder of PS to conditionally extend the settlement date to 31 March 2015, we were unable to obtain sufficient evidence to satisfy ourselves as to the Group has sufficient future cashflow to redeem the PS by 31 March 2015. Should the support from the holder of 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 unable 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 2014 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.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2013: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2014, the Group reported a turnover of approximately HK$37.7 million, representing an increase of 63% as compared to HK$23.1 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$67.6 million as compared to profit of approximately HK$140.6 million for the previous financial year. Basic loss per share for the year was HK10.9 cents (2013: earnings per share of HK26.4 cents).

Business Operation

During the past financial year, the Group's business operation was principally engaged in provision of consumer oriented especially health care related 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 to position as a consumer oriented especially health care related service provider to embrace the mega trend in China.

Review of the Group's business operations

The Group's health care related service operation is looking to seize the development opportunity of the huge demand for healthcare services brought by the healthcare reform in Mainland China. During the past financial year, revenue of the operation primarily came from engaging in provision of service in relation to healthcare and third party administration to healthcare insurance companies in Mainland China.

During the past financial year, the business operation of the Group provided the provision of consumer oriented services. As a value added service provider to telecom operators in China, the Group carried out B-to-C consumer service business in Mainland China through its distribution network.

During the period of late December 2012 to mid March 2013, an once in a ten year Chinese top leadership generational change took place, and the new State Council ultimately decided to eliminate the Ministry of Railway. As such the Chinese railway has evolved and experienced substantial changes in previous status quo, and as a result the Group's plan to diversify into distribution of cooling system for high speed trains has been adversely effected severely despite the Directors and management's best efforts. Due to highly uncertainty of government policy and market condition, the carrying amount of intangible asset are fully impaired.

Directors would like to report that the operation of the Group's operation had an increase of about 63% in terms of revenues, as compared with that of the past financial year in 2013.

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$5.39 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 31 May 2011 (the "Proceeding"). On 6 May 2013, the parities to the Proceeding have reached an agreement to settle the Proceeding, which brings an end to the VSA. Relevant details and developments of the Litigation are disposed 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. Since the balance sheet date, the Company has entered into three fund raising agreements with investors, as announced on each of 8 April 2014; 23 May 2014; and 3 June 2014, targeting a total amount of approximately HK$430.6 million, with the 23 May fund raising completed and the 8 April and 3 June fund raisings completions pending regulatory vetting and shareholders' approvals. Meanwhile, the Directors has been actively seeking for procuring viable asset injection.

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

Future Prospect

Despite the Group's HoldCo is facing financial distress, the Group has been 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, especially in view of the very encouraging developments since the balance sheet date.

Liquidity and Capital Resources

As at 31 March 2014, the Group's cash and cash equivalents amounted to approximately HK$26.7 million (2013: HK$14.2 million), where about HK$5.7 million (2013: HK$9.9 million) is in its subsidiary Harvest Network Ltd. ("Harvest") and its use is restricted for Harvest's working capital and other purpose only.

On 15 August 2013, the Group settled the principal amount of HK$10,000,000 of promissory note through capitalization by way of issuing and allotting 30,030,030 shares at an issue price of HK$0.333 per share to the holders of the promissory notes, so as to alleviate the debt burden of the Group. Details of which have been set out in the announcement of the Company dated 2 August 2013.

On 21 August 2013, the Company, three shareholders of the Company (the "Vendors") and a placing agent entered into the placing agreement, pursuant to which the Vendors agreed to place, through the placing agent, on a best effort basis, a maximum of 90,000,000 existing shares, to not less than six places at the placing price of HK$0.33 per placing share. On the same day, the top-up subscription agreement was entered into between the Vendors and the Company, pursuant to which the Vendors conditionally agreed to subscribe for such number of top-up subscription shares equal to the number of the placing shares at the top-up subscription price of HK$0.33 per top-up subscription share. As both the placing and the top up subscription have not been completed, the placing agreement and the top up subscription agreement were terminated on 4 September 2013. Details of the above have been set out in the announcements of the Company dated 21 August 2013 and 4 September 2013.

The Group's total borrowings which represented convertible bonds, redeemable convertible cumulative preference shares and promissory note as at 31 March 2014 amounted to about HK$188.3 million (2013: HK$181.6 million).

On this basis, the gearing ratio is calculated at (1.33) (2013: (2.16)), based on an amount of shareholders' equity of HK$(141,611,000) (2013: HK$(84,236,000)).

Contingent Liabilities

As at 31 March 2014, there were no contingent liabilities of the Group (2013: nil).

Charge on Group's Assets

As at 31 March 2014, there was no charge on the Group's assets (2013: nil).

Employees and Remuneration Policy

As at 31 March 2014, the Group employed 65 (2013: 48) staff members. Total staff cost including Directors' emoluments was HK$6.1 million as compared to HK$9.1 million for the previous year.

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

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 2014.

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 four 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.

REVIEW OF ANNUAL RESULTS

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 2014.

The figures in respect of the Group's announcement of annual results have been agreed by the Group's auditors, Elite Partners CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2014.

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 the Company's website (www.chc673.com) in due course.

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

Hong Kong, 30 June 2014

As at the date of this announcement, the board of directors of the Company comprises Mr. Jia Hong Sheng (Chairman), Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Chung Ho and Mr. Wang Jingming, all of whom are executive directors; and Mr. Mu Xiang Ming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua, all of whom are independent non-executive directors.

* *For identification purpose only*