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 2013

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 2013 together with the comparative figures for the corresponding year ended 31 March 2012 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 March	
		2013	2012
	Notes	***HK$'000***	*HK$'000*
			(Restated)
CONTINUING OPERATIONS			
Revenue	*6*	**23,128**	49,106
Cost of sales		**(11,068)**	(16,789)
Gross profit		**12,060**	32,317
Other income	*6*	**1,201**	3,082
Selling and distribution expenses		**(11,947)**	(11,091)
Administrative expenses		**(31,920)**	(58,018)
Finance costs	*7*	**(140,420)**	(115,608)
Extinguishment of liability component of redeemable convertible cumulative preference shares	*17*	**293,643**	–
Fair value gain on derivative component of redeemable convertible cumulative preference shares	*17*	**6,875**	114,702
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	*8*	**129,492**	(34,616)
Income tax expense	*9*	**(270)**	(1,957)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**129,222**	(36,573)
DISCONTINUED OPERATIONS			
Loss for the year from discontinued operations	*10*	**–**	(489)
PROFIT/(LOSS) FOR THE YEAR		**129,222**	(37,062)

		For the year ended	
		2013	2012
	Note	***HK$'000***	*HK$'000*
			(Restated)
PROFIT/(LOSS) FOR THE YEAR		**129,222**	(37,062)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		**(3,475)**	14,632
Release of exchange differences upon disposal of subsidiaries		**–**	(11,307)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**(3,475)**	3,325
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**125,747**	(33,737)
Profit/(loss) attributable to:			
Owners of the Company		**140,609**	(24,596)
Non-controlling interests		**(11,387)**	(12,466)
		129,222	(37,062)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**137,143**	(23,389)
Non-controlling interests		**(11,396)**	(10,348)
		125,747	(33,737)
Basic earnings/(loss) per ordinary share	*11*		
Profit/(loss) from continuing operations (HK cents)		**26.4**	(4.9)
Loss from discontinued operations (HK cents)		**N/A**	(0.1)
		26.4	(5.0)
Diluted earnings/(loss) per ordinary share	*11*		
Profit/(loss) from continuing operations (HK cents)		**25.9**	N/A
Loss from discontinued operations (HK cents)		**N/A**	N/A
		25.9	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March		As at 1 April
		2013	2012	2011
	Notes	***HK$'000***	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**1,606**	1,618	5,034
Goodwill		**–**	–	–
Intangible assets	*12*	**50,531**	–	1,329
Financial assets		**2,150**	–	–
Other receivable	*14*	**3,218**	4,169	–
Total non-current assets		**57,505**	5,787	6,363
CURRENT ASSETS				
Inventories		**–**	–	2,970
Trade receivables	*13*	**28,257**	27,101	20,447
Prepayments, deposits and other receivables	*14*	**192,301**	192,229	87,201
Restricted bank balances		**9,927**	24,741	100,173
Cash and bank balances		**4,302**	7,719	71,998
Total current assets		**234,787**	251,790	282,789
CURRENT LIABILITIES				
Trade payables	*15*	**6,188**	83	92
Other payables and accrued expenses		**33,370**	27,340	34,978
Amount due to directors		**3,096**	2,599	545
Interest-bearing loans from a director and a shareholder		**8,453**	8,052	–
Derivative component of redeemable convertible cumulative preference shares		**–**	6,875	121,577
Liability component of convertible bonds	*16*	**48,064**	46,643	–
Liability component of redeemable convertible cumulative preference shares	*17*	**115,503**	281,801	–
Income tax payables		**3,245**	2,259	3,496
Preference shares dividend payable of a subsidiary	*20*	**59,470**	46,269	32,791
Promissory note	*12*	**18,000**	–	–
Total current liabilities		**295,389**	421,921	193,479
NET CURRENT (LIABILITIES)/ASSETS		**(60,602)**	(170,131)	89,310
TOTAL ASSETS LESS CURRENT LIABILITIES		**(3,097)**	(164,344)	95,673

	As at 31 March		As at 1 April
	2013	2012	2011
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
NON-CURRENT LIABILITIES			
Liability component of convertible bonds	**–**	–	180,755
Liability component of redeemable convertible cumulative preference shares	**–**	–	45,188
Deferred tax liabilities	**–**	–	336
Total non-current liabilities	**–**	–	226,279
Net liabilities	**(3,097)**	(164,344)	(130,606)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	**60,326**	50,326	50,326
Reserves	**(144,562)**	(307,205)	(283,816)
	(84,236)	(256,879)	(233,490)
Non-controlling interests	**81,139**	92,535	102,884
Total equity	**(3,097)**	(164,344)	(130,606)

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 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$60,602,000 and net liabilities of approximately HK$3,097,000 as at 31 March 2013;

(ii) The liability component of convertible bonds ("CB") with interest at amortised cost of approximately HK$48,064,000 as at 31 March 2013; and

(iii) the liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK$115,503,000 as at 31 March 2013 which was originally past due but extended to 30 June 2014.

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 report, the Company obtained verbal confirmation from the majority of CB holder that they will 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 an amendment agreement with PS holder to extend the final settlement date to 30 June 2014. Furthermore, the Group is 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 2013 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")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 April 2012.

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Income Taxes – Deferred Tax: Recovery of Underlying Assets

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial assets is transferred but the transferor retains some level of continuing exposure in the assets. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The new and revised HKFRSs have no material effect on the amounts reported in these financial statements and/or disclosures set out in these 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.

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, amount due to directors, derivative component of redeemable convertible cumulative preference shares, liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares, promissory note, preference shares dividend payable of a subsidiary, deferred tax liabilities and other corporate liabilities as these liabilities are managed on a group basis.

The Group commenced a new operating segment of distribution cooling systems which did not contribute operating result to the Group during the year, therefore 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 and 2012.

The following table is an analysis of the Group's assets and liabilities and other segment information for the years ended 31 March 2013 and 2012:

	Distribution of cooling system		B-to-C consumer services		Total	
	2013	2012	**2013**	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**51,227**	–	**166,220**	40,852	**217,447**	40,852
Corporate and other unallocated assets					**74,845**	216,725
Total assets					**292,292**	257,577
SEGMENT LIABILITIES	**700**	–	**10,498**	4,031	**11,198**	4,031
Corporate and other unallocated liabilities					**284,191**	417,890
Total liabilities					**295,389**	421,921
Other segment information						
Interest income					**133**	775
Depreciation					**1,377**	1,733
Amortisation of intangible assets					**3,587**	253
Capital expenditure					**1,485**	2,394

Geographical information

For the years ended 31 March 2013 and 2012, 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 2013, the Group had transactions with 1 (2012: 2) customer who contributed over 10% of the Group's total net revenue from continuing operation, which is summarised below:

	Year ended 31 March	
	2013	2012
	HK$'000	*HK$'000*
Customer 1	**23,128**	24,459
Customer 2	**–**	20,998
	23,128	45,457

6. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represented the commission income earned from distribution of mobile pre-charge and is recognised according to agreement terms.

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

	2013	2012
	HK$'000	*HK$'000*
Interest income	**133**	1,042
Government grants *(note (i))*	**–**	1,032
Consultancy income	**–**	934
Others *(note (ii))*	**1,068**	74
	1,201	3,082

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

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

7. FINANCE COSTS

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

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Dividend payable to convertible preference share issued by a subsidiary	**13,402**	13,478
Interests on loans from a director and a shareholder	**401**	52
Interests on bank loans wholly repayable within five years	**–**	887
Effective interest expenses on convertible bonds wholly repayable within five years	**1,422**	1,455
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**125,195**	99,736
	140,420	115,608

8. PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS

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

	2013	2012
	HK$'000	*HK$'000*
Amortisation of intangible assets	**2,972**	253
Depreciation	**1,377**	1,866
Fair value gain on derivative component of redeemable convertible cumulative preference shares	**(6,875)**	(114,702)
Extinguishment of liability component of redeemable convertible cumulative preference shares	**(293,643)**	–
Impairment loss recognised in respect of trade and other receivables	**–**	7,410

9. INCOME TAX EXPENSE

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

Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2012: 25%).

	2013	2012
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**189**	1,992
Underprovision in prior years	**81**	–
Deferred tax	**–**	(35)
	270	1,957

10. DISCONTINUED OPERATIONS

There was no discontinued operations during the year ended 31 March 2013. During the year ended 31 March 2012, sales of medical devices and consumables is presented as discontinued operations in accordance with HKFRS 5.

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

	2013	2012
	HK$'000	*HK$'000*
Loss of discontinued operations	–	(4,080)
Gain on disposal	–	3,591
Loss for the year from discontinued operations	–	(489)

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

	2013	2012
	HK$'000	*HK$'000*
Revenue	–	8,686
Expenses	–	(12,705)
Loss before tax	–	(4,019)
Income tax expense	–	(61)
Loss for the year from discontinued operations and attributable to the owners of the Company	–	(4,080)

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

	2013	2012
Loss attributable to owners of the Company from the discontinued operations *(HK$'000)*	–	(489)
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation *('000)*	–	503,260
Loss per share: Basic and diluted from discontinued operations *(HK cents)*	–	(0.1)

11. EARNINGS/(LOSS) PER SHARE

	2013	2012
	HK$'000	*HK$'000*
		(Restated)
Profit/(loss) attributable to owners of the Company, used in the basis earnings/(loss) per share calculation:		
– From continuing operations	**140,609**	(24,107)
– From discontinued operations	**–**	(489)
	140,609	(24,596)

Number of shares	**2013**	2012
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**531,479**	503,260

(a) Basic earnings/loss per share

For the year ended 31 March 2013, the calculation of basic earnings per share amount is based on the net profit for the year of HK$140,609,000 (2012: loss of HK$24,596,000) attributable to the equity holders of the Company, and weighted average of approximately 531,479,000 (2012: approximately 503,260,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

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 parent, 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.

For the year ended 31 March 2012, 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.

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.

13. TRADE RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Trade receivables	**28,257**	27,101

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:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**5,235**	2,022
1 to 3 months	**5,730**	3,917
Over 3 months	**17,292**	21,162
	28,257	27,101

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables mainly comprise of the following:

(i) Under non-current portion and current portion are amounts of approximately HK$3,218,000 and HK$2,857,000, respectively, with respect to a secured loan of RMB8,000,000 (equivalent to approximately HK$9,674,000) granted by the Group to an independent third party pursuant to a loan agreement dated 26 July 2011;

(ii) Approximately HK$8,000,000 paid to the High Court of Hong Kong Special Administrative Region to provide security for court costs as disclosed in note 18;

(iii) Approximately RMB35,141,000 (equivalent to approximately HK$40,346,000) deposit held under escrow account in relation to the litigation as disclosed in note 18;

(iv) Approximately RMB79,333,000 (equivalent to approximately HK$98,175,000) were amounts due from former subsidiaries; and

(v) Approximately RMB25,000,000 (equivalent to approximately HK$30,938,000) were deposit for customer services.

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:

	2013	2012
	HK$'000	*HK$'000*
Within 1 month	**6,188**	–
Over 3 months	**–**	83
Total	**6,188**	83

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:

	2013	2012
	HK$'000	*HK$'000*
Principal amount	**42,042**	42,042
Interest payable	**5,464**	4,287
Charge on interest overdue	**558**	314
	48,064	46,643

17. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

Liability component of redeemable convertible cumulative preference shares ("PS") represents the 15,000 preference shares of US$0.01 each for a total cash consideration of US$15,000,000 (approximately HK$117,000,000).

On 31 March 2013, the Company has further revised the Preference Shares Agreement by entering into a supplemental agreement ("Supplemental Agreement") with the preference share holder. According to the Supplemental Agreement, the Company has the right to settle sum of accumulated dividend payable from 1 December 2012 to 30 November 2013 by procuring ordinary shares of the Company at a pre-determined price of HK$0.3201.

As the terms and conditions of the redeemable convertible cumulative preference shares have been changed, and the changes in terms and conditions were qualified as "substantially difference" in accordance with HKAS 39, the Company accounted for the substantially different terms as an extinguishment of the redeemable convertible cumulative preference shares under the Preference Shares Agreement ("Old PS") and the recognition of the redeemable convertible cumulative preference shares under Supplemental Agreement ("New PS") in accordance with HKAS 39. The difference of approximately HK$293,643,000 between the carrying amount of Old PS and the fair value of New PS of approximately HK$115,503,000 has been charged in profit or loss during the year ended 31 March 2013.

The fair value of the New PS of HK$115,503,000 as at 31 March 2013 was performed by an independent professional valuation firm.

18. 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.

19. POST BALANCE SHEET EVENTS

a) On 6 May 2013 the parties to the legal proceedings relating to the very substantial acquisition ("Proceeding") reached an agreement to settle the Proceeding. The terms of the settlement are confidential, but as a result the Proceeding will be discontinued and this brings to an end the very substantial acquisition.

b) On 28 June 2013, the Company and the preference share holder entered into an amendment agreement to the Supplemental 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 preference share holder before or by 29 June 2013 and the preference share 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 preference share holder at a pre-determined price of HK$0.3201 per share.

20. PRIOR YEAR ADJUSTMENTS

In October 2008, Harvest Network Limited (the “Harvest Network”), a subsidiary of the Group, entered into a subscription agreement with the subscribers to issue in aggregate 216,000 convertible preference shares to the subscribers for a total consideration of US$21.6 million.

Pursuant to Memorandum of Association in Harvest Network, holder of the convertible preference shares shall be entitled to a cumulative dividend calculated at US$8 per shares per annum.

The dividend payable for the convertible preference shares has not been recognised for the years ended 31 March 2009, 2010, 2011 and 2012 in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”. As a result of the consequence and other restatements required, comparative figures have been restated.

For the year ended 31 March 2009

Consolidated income statement

	For the year ended 31 March 2009 *HK$’000*
Profit for the year, as previously reported	33,583
Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary	(5,834)
Profit for the year, as restated	27,749
Earnings per share (HK cents), as previously reported	8.0
Earnings per share (HK cents), as restated	7.0

Consolidated statement of financial position

	As at 31 March 2009		
	Previously stated	**Adjustment** *(note (i))*	**Restated**
	HK$'000	*HK$'000*	*HK$'000*
Assets and liabilities			
Preference shares dividend payable of a subsidiary	–	(5,834)	(5,834)
Total effect on assets and liabilities	–	(5,834)	(5,834)
Equity			
Accumulated losses	(346,099)	(2,615)	(348,714)
Non-controlling interests	99,355	(3,219)	96,136
Total effect on equity	(246,744)	(5,834)	(252,578)

For the year ended 31 March 2010

Consolidated income statement

	For the year ended 31 March 2010
	HK$'000
Loss for the year, as previously reported	(98,811)
Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary	(13,478)
Loss for the year, as restated	(112,289)
Loss per share (HK cents), as previously reported	(38.0)
Loss per share (HK cents), as restated	(41.0)

Consolidated statement of financial position

	As at 31 March 2010			
	Previously stated	**Adjustment** *(note (i))*	**Adjustment** *(note (ii))*	**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities				
Preference shares dividend payable of a subsidiary	–	(5,834)	(13,478)	(19,312)
Total effect on assets and liabilities	–	(5,834)	(13,478)	(19,312)
Equity				
Accumulated losses	(435,794)	(2,615)	(6,041)	(444,450)
Non-controlling interests	90,941	(3,219)	(7,437)	80,285
Total effect on equity	(344,853)	(5,834)	(13,478)	(364,165)

For the year ended 31 March 2011

Consolidated income statement

	For the year ended 31 March 2011
	HK$'000
Loss for the year, as previously reported	(182,135)
Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary	(13,479)
Loss for the year, as restated	(195,614)
Loss per share (HK cents), as previously reported	(60.0)
Loss per share (HK cents), as restated	(60.0)

Consolidated statement of financial position

	As at 31 March 2011				
	Previously stated	**Adjustment** *(note (i))*	**Adjustment** *(note (ii))*	**Adjustment** *(note (iii))*	**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Preference shares dividend payable of a subsidiary	–	(5,834)	(13,478)	(13,479)	(32,791)
Total effect on assets and liabilities	–	(5,834)	(13,478)	(13,479)	(32,791)
Equity					
Accumulated losses	(644,010)	(2,615)	(6,041)	(6,041)	(658,707)
Non-controlling interests	120,978	(3,219)	(7,437)	(7,438)	102,884
Total effect on equity	(523,032)	(5,834)	(13,478)	(13,479)	(555,823)

For the year ended 31 March 2012

Consolidated income statement

	For the year ended 31 March 2012
	HK$'000
Loss for the year, as previously reported	(23,584)
Increase in finance cost for the dividend payable on convertible preference shares issued by a subsidiary	(13,478)
Loss for the year, as restated	(37,062)
Loss per share (HK cents), as previously reported	(–)
Loss per share (HK cents), as restated	(5.0)

Consolidated statement of financial position

	As at 31 March 2012					
	Previously stated	**Adjustment** *(note (i))*	**Adjustment** *(note (ii))*	**Adjustment** *(note (iii))*	**Adjustment** *(note (iv))*	**Restated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities						
Preference shares dividend payable of a subsidiary	–	(5,834)	(13,478)	(13,479)	(13,478)	(46,269)
Total effect on assets and liabilities	–	(5,834)	(13,478)	(13,479)	(13,478)	(46,269)
Equity						
Accumulated loss	(662,565)	(2,615)	(6,041)	(6,041)	(6,041)	(683,303)
Non-controlling interests	118,067	(3,219)	(7,437)	(7,438)	(7,437)	92,536
Total effect on equity	(544,498)	(5,834)	(13,478)	(13,479)	(13,478)	(590,767)

Note

(i) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2009 and adjustment to the portion of the finance cost to owner of the Company and non-controlling interests.

(ii) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2010 and adjustment to portion of the finance cost to owner of the Company and non-controlling interests.

(iii) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2011 and adjustment to portion of the finance cost to owner of the Company and non-controlling interests.

(iv) The adjustment represents accrued finance cost for the dividend payable on convertible preference share issued by a subsidiary for the year ended 31 March 2012 and adjustment to portion of the finance cost to owner of the Company and non-controlling interests.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The audit opinion on the consolidated financial statements of the Group for the year ended 31 March 2013 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$48,064,000 as at 31 March 2013, which was originally past due but extended to 17 May 2013; and (ii) the liability component of redeemable convertible cumulative preference shares ("PS") with interest at amortised cost of approximately HK$115,503,000 as at 31 March 2013, 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 extent the final settlement date to 30 June 2014. 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 30 June 2014, we were unable to obtain sufficient evidence to satisfy ourselves as to the Group has sufficient future cashflow to redeem the PS by 30 June 2014. 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 2013 and of the Group's profit 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 (2012: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2013, the Group reported a turnover of approximately HK$23.1 million, representing a decrease of 53% as compared to HK$49.1 million for the previous financial year. The Group's net profit from ordinary activities attributable to shareholders for the year was approximately HK$140.6 million as compared to loss of approximately HK$24.6 million for the previous financial year. Basic earnings/(loss) per share for the year was HK26.4 cents (2012: HK5 cents).

Business Operation

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

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

Review of the Group's business operations

The Group's revenue primarily comes from its B-to-C consumer services operation, the operation's business model is oriented around scale; growth; cash flow and outlets of distribution and settlement. During the past financial year, the Group continued to have B-to-C consumer services operation in China as value added service provider to telecom operator in China. It has also developed a distribution network of scaled POS-enabled retail outlets for end customers as of the date of this announcement.

While the Group is engaged in the provision of B-to-C consumer services, the Group has also diversified its business into distribution of cooling systems for high-speed vehicles in the PRC, via an acquisition with details as announced in November 2012 (the "Acquisition").

Review of the Group's financial distress

As of the date of this announcement, 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 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 Proceeding 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.

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

Future Prospect

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

Liquidity and Capital Resources

As at 31 March 2013, the Group's cash and cash equivalents amounted to approximately HK$14.2 million, where about 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.

The Group's total borrowings as at 31 March 2013 amounted to about HK$181.6 million, all of which were represented by convertible bonds, redeemable convertible cumulative preference shares and promissory note.

On this basis, the gearing ratio is calculated at (2.16) (2012: (1.52)), based on an amount of shareholders' equity of HK$(84,236,000) (2012: HK$(256,879,000)).

Contingent Liabilities

As at 31 March 2013, there were no contingent liabilities of the Group.

Charge on Group's Assets

As at 31 March 2013, there was no charge on the Group's assets.

Employees and Remuneration Policy

As at 31 March 2013, the Group employed 48 (2012: 52) staff members. Total staff cost including Directors' emoluments was HK$9.1 million as compared to HK$13.3 million for the previous year.

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2013.

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 2013.

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 2013.

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, 28 June 2013

As at the date of this announcement, the board of directors of the Company comprises Mr. Jia Hong Sheng, Dr. Li Zhong Yuan, Mr. Zhou Bao Yi and Mr. Chung Ho, 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*