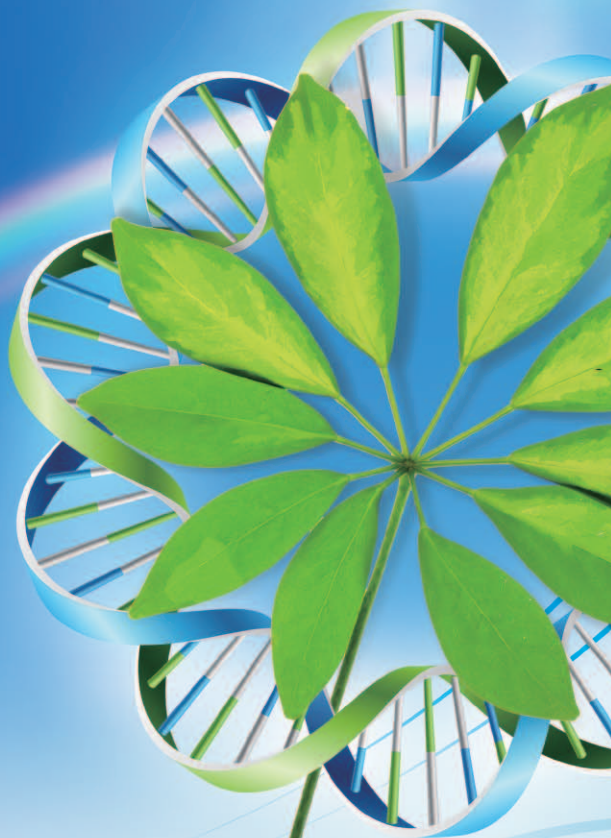


First Quarterly Report 2011



PublicHealthcare

中國公共醫療

CHINA PUBLIC HEALTHCARE (HOLDING) LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8116)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

The GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

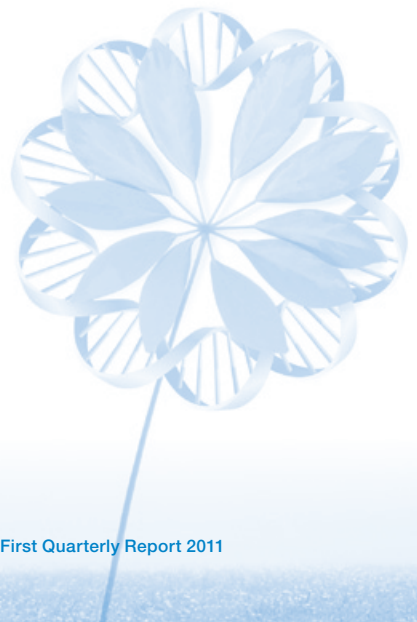
Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

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

This report, for which the directors of China Public Healthcare (Holding) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL HIGHLIGHT

- Recorded an unaudited turnover of approximately HK\$56.7 million for the three months ended 31 March 2011, representing an approximately 36.8% decrease over the same period of the previous year;
- Sustained an unaudited profit attributable to the equity holders of the Company of approximately HK\$20 million, for the three months ended 31 March 2011;
- The Directors do not recommend the payment of an interim dividend for the three months ended 31 March 2011.



The board of directors (the “Board”) of the Company is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2011, together with the unaudited comparative figures for the corresponding period in 2010, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011

	NOTES	(Unaudited)	
		For the three months ended 31 March 2011 HK\$'000	2010 HK\$'000 (restated)
Continuing operations			
Turnover	2	56,687	89,818
Cost of sales and services		(16,529)	(4,590)
Gross profit		40,158	85,228
Other revenue	2	44	2,667
Distribution expenses		(4,036)	(3,043)
Administrative expenses		(16,915)	(30,768)
Realised gain/(loss) on disposal of financial assets held for trading		106	(3,303)
Unrealised (loss)/gain on financial assets held for trading		(1,548)	4,982
Profit from operations		17,809	55,763
Finance costs		(1,633)	(1,745)
Profit before tax		16,176	54,018
Income tax expenses	3	–	–
Profit for the period from continuing operations		16,176	54,018
Discontinued operations			
Loss for the period from discontinued operations		–	(181)
Income tax expenses		–	(57)
Profit for the period		16,176	53,780
Other comprehensive income			
Exchange difference on translation of: – financial statements of foreign operations		3,996	724
Other comprehensive income for the period, net of tax		3,996	724
Total comprehensive income for the period		20,172	54,504

	NOTES	(Unaudited) For the three months ended 31 March	
		2011 HK\$'000	2010 HK\$'000 (restated)
Profit attributable to:			
Owner of the Company		16,836	54,728
Non-controlling interests		(660)	(948)
		<u>16,176</u>	<u>53,780</u>
Total comprehensive expenses attributable to:			
Owner of the Company		20,832	55,452
Non-controlling interests		(660)	(948)
		<u>20,172</u>	<u>54,504</u>
Earning per share	4		
From continuing and discontinued operations			
Basic (HK cents per share)		<u>0.15</u>	<u>0.51</u>
Diluted (HK cents per share)		<u>0.12</u>	<u>0.39</u>
From continuing operations			
Basic (HK cents per share)		<u>0.15</u>	<u>0.51</u>
Diluted (HK cents per share)		<u>0.12</u>	<u>0.39</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2011 (unaudited)

	Share Capital HK\$'000	Share Premium HK\$'000	Merger Reserve HK\$'000 (Note (ii))	Convertible Bonds Equity Reserve HK\$'000	General Reserve HK\$'000 (Note (i))	Exchange Reserve HK\$'000	Share-based Compensation Reserve HK\$'000	Accumulated Losses HK\$'000	Attributable to Owners of the Company HK\$'000	Non- Controlling Interest HK\$'000	Total HK\$'000
Three months ended 31 March 2010											
At 1 January 2010	107,384	966,082	(46,815)	25,432	1,852	2,449	30,082	(363,538)	722,928	4,509	727,437
Recognition of equity-settled share-based payments	-	-	-	-	-	-	20,609	-	20,609	-	20,609
Total comprehensive income attributable to shareholders	-	-	-	-	-	724	-	54,728	55,452	(948)	54,504
At 31 March 2010	107,384	966,082	(46,815)	25,432	1,852	3,173	50,691	(308,810)	798,989	3,561	802,550
Three months ended 31 March 2011											
At 1 January 2011	112,725	983,095	(46,815)	22,999	11,512	6,636	57,173	(233,192)	914,133	1,233	915,366
Transfer to general reserve	-	-	-	-	91	-	-	(91)	-	-	-
Total comprehensive income attributable to shareholders	-	-	-	-	-	3,996	-	16,836	20,832	(660)	20,172
At 31 March 2011	112,725	983,095	(46,815)	22,999	11,603	10,632	57,173	(216,447)	934,965	573	935,538

Notes:

- (i) The general reserve and enterprise expansion fund are set up by subsidiaries established and operated in the People's Republic of China ("PRC") by way of appropriation from the profit after taxation in accordance with the relevant laws and regulations in the PRC. The rate of appropriation of the general reserve and enterprise expansion fund is subject to the decision of the board of directors of the PRC subsidiaries, but the minimum appropriation rate for the general reserve is 10% of the profit after taxation for each year, until when the accumulated balance reaches 50% of the total registered capital of the subsidiary. Pursuant to the relevant laws and regulations of the PRC, if approvals are obtained from the relevant government authorities, the general reserve can be used in setting off accumulated losses or to increase the capital, and the enterprise expansion fund can be used to increase the capital.
- (ii) Merger reserve represents the difference between the nominal value of the shares of subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the reorganisation.

Notes:

1. Basis of preparation and principal accounting policies

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, Accounting Standards and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the GEM Listing Rules. They have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair value.

The accounting policies and method of computation used in preparing the unaudited consolidated results are consistent with those used in the audited financial statements for the year ended 31 December 2010. The condensed consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

In the current year, the Company has applied the following new standards, amendments and interpretations (the "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are or have become effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 except for the amendments to HKFRS 7 and HKAS 1 ²
HKFRS 1 (Amendments)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ³
HKFRS 1 (Amendments)	Severe hyperinflation and fixed dates for first-time adopters ⁵
HKFRS 3 (Amendments)	Business Combination (2008) – Improvements to HKFRSs (2010) ³
HKFRS 9 (Revised)	Financial Instruments ⁷
HKAS 1 (Amendments)	Presentation of Financial Statements – Improvements to HKFRSs (2010) ⁴
HKAS 12 (Amendments)	Income Taxes – Amendments ⁶
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁴
HKAS 32 (Amendments)	Classification of Rights Issues ¹
HK(IFRIC) – Int 13 (Amendments)	Customer Loyalty Programmes – Improvements to HKFRSs (2010) ⁴
HK(IFRIC) – Int 14 (Amendments)	Prepayments of Minimum Funding Requirement ⁴
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 February 2010

² Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 July 2011

⁶ Effective for annual periods beginning on or after 1 January 2012

⁷ Effective for annual periods beginning on or after 1 January 2013

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The directors of the Company anticipate that the application of these new standard, amendment or interpretations will have no material impact on the results and the financial position of the Company.

2. Turnover and other revenue

The Group is principally engaged in provision of healthcare information technology (“HIT”) services, mining business and radio trunking systems integration in PRC. Revenues recognized are as follows:

	(Unaudited) For the three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Turnover		
Provision of HIT services	56,687	89,818
Mining	–	–
Sales of radio trunking systems integration	–	–
	56,687	89,818
Other revenue		
Interest income	41	4
Others	3	2,663
	44	2,667
Total revenues	56,731	92,485

Geographical segments

During the period ended 31 March 2011 and 2010, more than 90% of the Group's turnover was derived from activities conducted in the People's Republic of China (the “PRC”), no geographical segmental information is presented.

3. Income tax expenses

The amount of tax charged to the condensed consolidated income statement represents:

	Notes	(Unaudited) For the three months ended 31 March	
		2011 HK\$'000	2010 HK\$'000
Continuing operations:			
Hong Kong profits tax	(i)	-	-
Overseas taxation	(ii)	-	-
		-	-

Notes:

- (i) No provision for Hong Kong profits tax is required as the Group has no assessable profit in Hong Kong for the period (2010: HK\$Nil).
- (ii) Overseas taxation represents tax charges on the assessable profits of certain subsidiaries operating in the PRC calculated at the applicable rates.

4. Profit per share

From continuing and discontinued operations

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

	(Unaudited) For the three months ended 31 March	
	2011 HK\$'000	2010 HK\$'000
Profit for the period		
Profit for the period attributable to owners of the Company	16,836	54,728
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	2,901	8,579
Profit for the purpose of diluted earnings per share	19,737	63,307

	(Unaudited) As at 31 March	
	2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic profit per share	10,986,984,230	10,738,445,814
Effect of dilutive potential ordinary share:		
Convertible bonds and share options	<u>5,054,940,932</u>	<u>5,589,148,148</u>
Weighted average number of ordinary shares for the purpose of diluted profit per share	<u>16,041,925,162</u>	<u>16,327,593,962</u>

From continuing operations

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

Profit figures are calculated as follows:

	(Unaudited) For the three months ended 31 March	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to owners of the Company	16,836	54,728
Profit for the period from discontinued operations	—	(238)
Profit for the purpose of basic loss per share from continuing operations	16,836	54,966
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	<u>2,901</u>	<u>8,579</u>
Profit for the purpose of diluted earnings per share from continuing operations	<u>19,737</u>	<u>63,545</u>

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

No diluted loss per share from continuing operations has been presented as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive for both periods.

From discontinued operations

Basic loss per share for the discontinued operation in 2010 is HK0.002 cents based on the loss from the discontinued operations of approximately HK\$0.2 million in 2010 and the denominators detailed above for both basic and diluted loss per share.

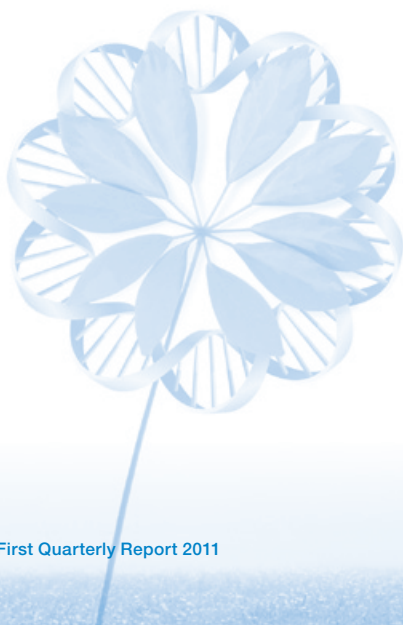
No diluted loss per share from discontinued operations has been presented as the potential ordinary shares in respect of outstanding share options and convertible bonds are anti-dilutive for both periods.

5. Dividend

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2011 (2010: Nil).

6. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.



BUSINESS REVIEW AND OUTLOOK

Healthcare information technology in the PRC

The Company began to step into healthcare information technology market in the PRC since October 2009 by holding 100% interest in Beijing Upway Science & Technology Development Co. Ltd (“Upway”), 100% interest in Beijing Lian Jin Medical Technology Company Limited (“Lian Jin”) and 60% interest in China Chief Medical Standards Database Co. Ltd. (“CCMSD”).

The National Institute of Hospital Administration (“NIHA”) of the PRC and the China National Institute of Standardization are partners in the development of the Company’s services.

Upway, Lian Jin and CCMSD, the subsidiaries of the Company, recorded a total revenue of HK\$388 million in 2010, and they had become the major suppliers of Healthcare Information Technology (“HIT”) demanded by the PRC’s hospital system through their provision of products and services. Upway, Lian Jin and CCMSD will continue to strive for expansion of their market share in 2011. The followings are their principal products:

1) Electronic Medical Records (EMR) Systems

The Company has applied its proprietary software and technology to develop and complete the professional Electronic Medical Records (EMR) software for Mainland China. The software has obtained the certificate from Ministry of Health of China and penetrated into China’s high-grade hospital market in large scale.

The Company’s EMR system is compatible with various types of hospital HIS systems in Mainland China. All medical records information could be used for multiple search applications.

In the opinion of the Board, the technology employed in the Company’s products is in leading positions and absolutely ahead of the competitors.

The Company has been working with 2,688 traditional Chinese medical specialist hospitals in Mainland China through the association with China Academy of Chinese Medical Sciences since 2010. The Company will continue to expand its cooperation with traditional Chinese medical specialist hospitals in 2011, with an aim to complete installation and formal application of EMR systems in 1,000 traditional Chinese medical specialist hospitals.

In addition, in order to increase its sales and enhance its market shares, the Company has been adjusting its marketing strategies and actively employing intermediate agents. Among the sales of the Company in the first quarter, the sales through intermediate agents in such cities as Tianjin and Hangzhou achieve good results.

The Company would continue to cooperate with Wujiaping Fund (吳階平基金會) in order to complete and announce the EMR industry technology standard for hepatopathy and nephropathy. It is expected that over 1,600 specialist medical institutions will then use the Company's syndrome specified EMR products.

Affected by the formal commencement of EMR piloting work by the Ministry of Health of China in October 2010, the government supporting funds for EMR in hospitals in Mainland China is not yet provided and results in further delay of the originally schedule for public hospitals in various regions in adopting EMR. During this quarter, there is no sales recorded for the Company's EMR systems, and it is expected that the entering into of sales contracts will be resumed in mid-2011.

II) Regional Public Health Medical System

A) Urban Regional Healthcare Platform

The Company will use its proprietary software and technology to work with government healthcare management institutions in Mainland China to establish health archives information system for urban area residents according to the requirements and standards of Ministry of Health of China ("MOHC").

The information in urban area healthcare platforms will be shared among all types of urban area medical institutions. All project fees will be borne by provincial or municipal governments. Generally, It will take three years to complete the whole project. From the fourth quarter of 2010, the revenue of the Company in the first quarter of 2011 was mainly attributable to income received after inspection of piloting work in Xizang Autonomous Region and Xinjiang Autonomous Region.

The Company will implement urban area healthcare platforms in the following key areas in 2011:

- 1) Xizang Autonomous Region
- 2) Xinjiang Autonomous Region
- 3) Jiangsu Province
- 4) Shaanxi Province

B) Rural Regional Health Platform

The Company has applied its proprietary systems and products to establish the Rural Area Health Platform. These projects are developed by subsidiaries which work closely with city health bureaus for 20 years already by using tele-medical technology to provide medical and healthcare services to rural residents. Each tele-medical center will be connected with multiple remote health clinics to provide simple medical diagnoses, personal health checks and medical referrals to city hospitals if necessary. These services will also help to establish the rural EMR system on each individual for local government health institutions simultaneously. The tele-medical center will cost about RMB40 million to build, however, as the Company is licensed and entitled to collect all the fees from the patients and 50% to 80% of all the medical expenses are subsidized by government health institutions. The Company has been working with the following city health bureaus:

- 1) City of Fuxin, Liaoning Province
- 2) City of Danzhou, Hainan Province
- 3) City of Tongliao, Inner Mongolia
- 4) The Xinjiang Production and Construction Corps
- 5) Yanbian Korean Autonomous Prefecture, Jilin Province
- 6) City of Baoji, Shaanxi Province

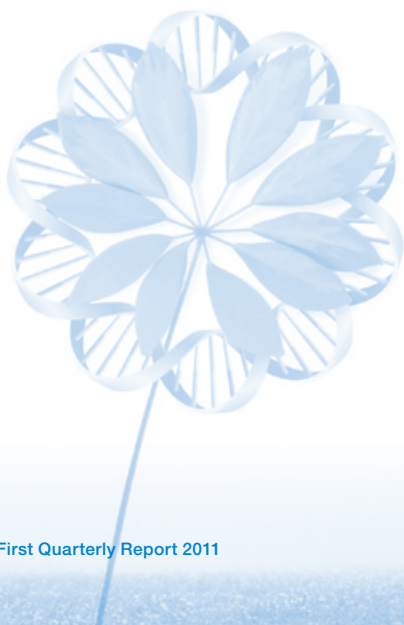
The Company invested to set up the Fuxin Tele-medical Service Department in the City of Fuxin in Liaoning Province. Trial run of the service department was commenced in July 2010. The tele-medical business can cover one million rural populations in the City of Fuxin. For rural residents to receive tele-medical diagnosis, a fee of RMB100 will need to be paid, however, 80% of which will be funded by the New Rural Cooperative Medical Insurance Schemes of the City of Fuxin, and the rural residents only need to pay 20%. The Company has not yet receive any medical service income for the first quarter of 2011 as the credit period offered to the local governmental settlement centers is not yet due.

III) *Hospital Pre-evaluation Service*

The Company's proprietary Hospital Pre-evaluation software meets the requirements of NIHA and the Chinese Hospital Association, and is authorized by such institutions. The primary function of the said software is to analyze the hospital management operation deficiencies in conjunction with national renowned hospital management consultants to facilitate improvement works.

The above mentioned products are aimed at digitizing patients' medical records, matching historical symptoms for suggested diagnosis and prescriptions, whereas the hospital pre-evaluation service is able to aggregate all medical data into standardized and categorized medical analysis for evaluation of cost-benefit efficiency. These products are targeted at better identification and medication of various diseases, more accurate matching of diagnoses and prescriptions, more optimal uses and production of medicines, more economical allocation of hospital resources, and more effective public hygiene management. The business development coverage of the Healthcare Information Technology includes Beijing, Hebei Province, Liaoning Province, Jilin Province, Shanxi Province, Inner Mongolia, Gansu Province, Xinjiang, Xizang, Hainan Province and Jiangsu Province.

The 2011 year's work plan for the Hospital Pre-evaluation Service shall be undertaken in coordination with the Ministry of Health's 2011 Hospital Management Work Plan. Currently, such work plans are under negotiation and discussion by both parties, so the Company has not recorded any service income from such project in the first quarter of 2011.



Mining Business

The Directors are of the view that the long term prospect of mineral resource prices remain bullish due to the continued demand from developing countries such as the PRC, India and Russia. Thus the outlook for the mining industry in the PRC is promising. The Acquisition represents a good opportunity for the Group to tap into the mining industry and also allow it to enhance performance to the Group.

The mining business has not started contributing revenues during the year. It is still subject to revision of production plans.

For the three months ended 31 March 2011, the outstanding Convertible Bonds of HK\$202 million will the conversion price of HK\$0.04.

Radio Trunking System Integration

For the first quarter ended 31 March 2011, the radio trunking business did not record any turnover. There was no change in turnover as compared to the turnover in 2010. The zero turnover of the business was mainly due to the fact that most customers will place their orders in the second half of the year, so there is still yet to finalise the terms of software services and the business with customers in coming year.

The Group has actively promoted its own digital trunking communication system based on the software technology FDMA system. This facilitated new, existing and potential users to have better understanding towards the features of this technical product while pushed further in market development.

Group development

In 2011, the Group continues to stick with its operation strategy to integrate its resources and make adjustment to its business, the non-performing business will be gradually peeled off through disposal or other means to the same effect, so as to optimize the Group's asset and allocate the limited resources to explore business with brighter prospect, thus pursue the rapid development and healthy growth of the Group's business.



FINANCIAL REVIEW

For the three months period ended 31 March 2011, the unaudited consolidated turnover of the Group from continuing operations was approximately HK\$56.7 million and HK\$89.8 million in the corresponding period in 2010. The unaudited profit attributable to shareholders for the three months ended 31 March 2011 amounted to approximately HK\$18.5 million.

The turnover approximately HK\$56.7 million from the business of healthcare information technology (“HIT”) compare to the same period on 2010 the turnover have recorded HK\$89.8 million, where have recorded a decrease of HK\$33.1 million or decrease by 36.8%, the decrease mainly due to the terms of contract from customers are still not yet finalized. No turnover of continuing operations from the business of radio trunking systems integration for the corresponding period in the current year and year 2010.

During the period, the Group obtained approximately HK\$44 thousand in other income that was mainly the interest income. The decrease in other income by approximately HK\$2.6 million was due to absence of the refund of business tax of approximately HK\$2.6 million recorded in the same period of the last year.

Distribution costs increase from HK\$3.0 million to HK\$4.0 million mainly represented marketing and promotions expenses for the development of the HIT business in the current year, the increase in amount mainly due to the Group put more effort on the marketing to capture a higher market share in the HIT market.

Administrative expenses decrease by approximately HK\$30.7 million to HK\$16.9 million was due to the absence of the share based payment of approximately HK\$20 million from granted 200 million new share options to certain consultants and employees for services rendered with fair value equivalent in the last year.

Finance cost for the period of approximately HK\$1.6 million was convertible bonds imputed interest. The remaining convertible bonds were issued as consideration for acquisition of mining business located in Jiangxi in the year 2009 with imputed compound interest rate of 3.4% per annum.

As a result, the Group recorded the profit attributable to shareholder of approximately HK\$16.8 million for the first quarter in the year 2011, and in the same period of last year we recorded a profit of HK\$54.7 million, representing the decrease of 66%.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2011, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of HK\$0.01 each of the Company

Name	Type of interest	Number of shares	Approximate percentage of issued share capital
Mr. Lu Chunming (<i>Note 1</i>)	Beneficial	830,000	0.04%

Notes:

1. Mr. Lu Chunming, an Executive Director of the Company, has interest in the Company directly.

Long positions in the underlying shares

On 31 March 2010, share options of 10,000,000 shares at exercise price of HK\$0.186 were granted to a director of the Company, Mr. Stephen William Frostick, under the Share Option Scheme. These share options are exercisable for a period of 3 years from the date of granted unconditionally. Details are set out in "Share Option Schemes" on pages 20 and 21.

Save as disclosed above, as at 30 September 2010, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS OF THE COMPANY

As at 31 March 2011, so far as is known to the Directors of the Company, the following persons (other than a Director and the Chief Executive of the Company) had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

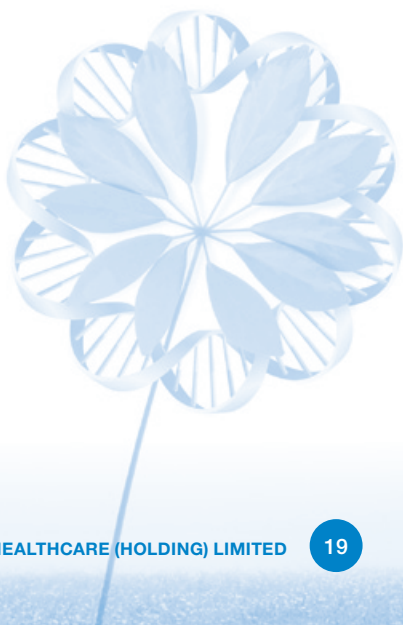
Long positions in the ordinary shares of HK\$0.01 each of the Company

Name of the Shareholders	Type of interest	Number of shares	Number of underlying shares (Note 5)	Total Number of shares and underlying shares	Approximate percentage of issued share capital
Absolute Power International Limited ("Absolute Power") (Note 1)	Beneficial	–	2,727,000,000	2,727,000,000	24.19%
Wide Treasure Investment Limited ("Wide Treasure") (Note 2)	Beneficial	–	2,330,446,932	2,330,446,932	20.67%
Way Capital Investments Limited ("Way Capital") (Note 3)	Beneficial	1,482,142,857	–	1,482,142,857	13.15%
Glorywide Group Limited ("Glorywide Group") (Note 4)	Beneficial	1,482,142,857	–	1,482,142,857	13.15%

Notes:

1. Absolute Power is wholly owned by Hu Chao who is deemed to be interested in the shares.
2. Wide Treasure is wholly owned by She Zhangshu who is deemed to be interested in the shares.
3. Way Capital is wholly owned by Lau Wang Tai who is deemed to be interested in the shares.
4. Glorywide is wholly owned by Zhang Jie who is deemed to be interested in the shares.
5. The underlying shares of Absolute Power and Wide Treasure are in respect of the convertible bonds issued by the Company on 9 January 2009. The convertible bonds issued by the Company to Way Capital and Glorywide Group on 23 October 2009 were converted to 1,482,142,857 shares and 1,482,142,857 shares respectively on 4 December 2009.

Save as disclosed above, as at 31 March 2011, the Directors were not aware of any other person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares (including any interests in options in respect of such capital), which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.



SHARE OPTION SCHEME

The Company adopted a new share option scheme on 30 July 2007 (“the Scheme”), which became effective for a period of 10 years commencing on 10 August 2007. Under the Scheme, the Directors of the Company may at their discretion grant options to any eligible person to subscribe for the shares of the Company (“Share”) at the higher of: (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant; (ii) the average closing price of the Share as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share. The offer of a grant of option shall remain open for acceptance within 21 days from the date of offer. A nominal consideration of HK\$1 is payable on acceptance of the grant of the option. The exercise period of the option must not be more than 10 years from the date of grant of the option.

The Company operates the Scheme for the purpose of advancing the interests of the Company and its shareholders by enabling the Company to grant options to attract, retain and reward any eligible persons which include any director of the Group, any employee of a Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

The total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes in force from time to time must not in aggregate exceed 30% of the Shares in issue from time to time.

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of Shares in issue as at the date of the passing of the relevant resolution adoption the Scheme.



Pursuant to the Scheme, as at 31 March 2011 the employees and consultants were granted share options to subscribe for shares of the Company, details of which were as follows:

Name or category of participant	As at 1 January 2011	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 March 2011	Date of granted of share options	Exercise period of share options	Exercise price of share options
Directors Stephen William Frostick	10,000,000	-	-	-	-	10,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.186
	10,000,000	-	-	-	-	10,000,000			
Employees	29,220,000	-	-	-	-	29,220,000	10 August 2007	10 August 2007 – 9 August 2012	HK\$0.380
Employees	52,000,000	-	-	-	-	52,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.186
	81,220,000	-	-	-	-	81,220,000			
Consultants	58,439,900	-	-	-	-	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK\$0.380
Consultants	138,000,000	-	-	-	-	138,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.186
Consultants	50,000,000	-	-	-	-	50,000,000	3 May 2010	3 May 2010 – 2 May 2013	HK\$0.186
Consultants	20,000,000	-	-	-	-	20,000,000	9 July 2010	9 July 2010 – 8 July 2013	HK\$0.186
	266,439,900	-	-	-	-	266,439,900			
	357,659,900	-	-	-	-	357,659,900			

The total number of Shares available for issue under the Scheme as at the date thereof was 357,659,900 Shares representing approximately 3.17% of the issued share capital of the Company.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2011, any business or interests of each directors of the Company, management shareholders and the respective associates (as defined in the GEM Listing Rules) of each that competes or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

AUDIT COMMITTEE

The audit committee has been established since July 2000 with defined terms of reference, which are of no less exacting terms than those set out in the Code on Corporate Governance Practices of the GEM Listing Rules, to review the Group's financial reporting, internal controls, and corporate governance and risk management matters and to make relevant recommendations to the Board.

The audit committee comprises three Independent Non-executive Directors of the Company, namely Mr. Lee Chi Hwa, Joshua (Chairman), Mr. Tso Hon Sai, Bosco and Mr. Chang Jun. The Group's unaudited results for the three months ended 31 March 2011 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

On behalf of the Board
China Public Healthcare (Holding) Limited
Stephen William Frostick
Chairman

Hong Kong, 13 May 2011

As at the date of thereof, the board of directors of the Company comprises three executive directors, being Mr. Stephen William Frostick, Mr. Lu Chunming and Mr. Shao Heng; and three independent non-executive directors, being Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua.

