Half-Year 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)

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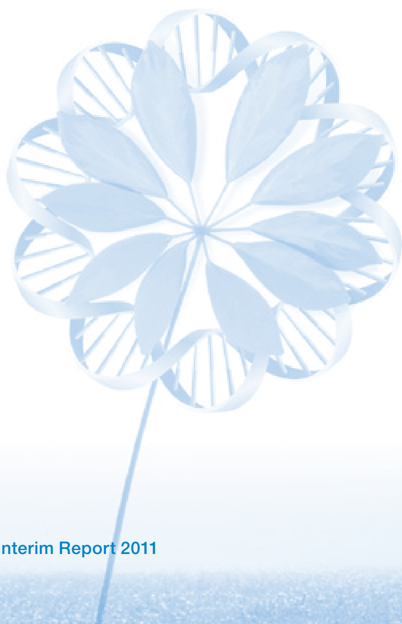
This report, for which the directors of China Public Healthcare (Holding) Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") 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$109 million for the six months ended 30 June 2011, representing an approximately 61% and 9% decrease over the six months period ended of the previous year and the three months period ended first quarter of this year;

- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK$9 million, for the six months ended 30 June 2011;

- The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 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 and six months ended 30 June 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 and six months ended 30 June 2011 (Unaudited)

	NOTES	Three months ended 30 June 2011 HK$'000	Three months ended 30 June 2010 HK$'000	Six months ended 30 June 2011 HK$'000	Six months ended 30 June 2010 HK$'000
Continuing Operations					
Turnover	2	**51,928**	189,242	**108,615**	279,060
Cost of sales and services		**(48,175)**	(97,749)	**(64,704)**	(102,339)
Gross profit		**3,753**	91,493	**43,911**	176,721
Other income	2	**2,829**	245	**2,873**	2,912
Distribution expenses		**(3,578)**	(222)	**(7,614)**	(3,265)
Administrative expenses		**(6,826)**	(19,603)	**(23,741)**	(50,371)
Realised loss on disposal of financial assets held for trading		**(2,889)**	(799)	**(2,783)**	(4,102)
Unrealised gain/(loss) on financial assets held for trading		**(722)**	(1,088)	**(2,270)**	3,894
Profit/(Loss) from operations		**(7,433)**	70,026	**10,376**	125,789
Finance costs		**(1,646)**	(1,760)	**(3,279)**	(3,505)
Profit/(loss) before tax	4	**(9,079)**	68,266	**7,097**	122,284
Income tax expenses	5	**–**	(5)	**–**	(5)
Profit/(loss) for the period from continuing operations		**(9,079)**	68,261	**7,097**	122,279
Discontinued operations	6				
(Loss)/profit for the period from discontinued operations		**–**	(297)	**–**	(535)
Profit/(loss) for the period		**(9,079)**	67,964	**7,097**	121,744
Other comprehensive (expenses)/income:					
Exchange differences on translation of:					
– financial statements of foreign operations		**1,783**	1,245	**5,779**	1,969
Other comprehensive income for the period, net of tax		**1,783**	1,245	**5,779**	1,969
Total comprehensive income/(expenses) for the period		**(7,296)**	69,209	**12,876**	123,713

	NOTES	Three months ended 30 June 2011 HK$'000	2010 HK$'000	Six months ended 30 June 2011 HK$'000	2010 HK$'000
Profit/(loss) attributable to:					
Owner of the Company		**(8,077)**	68,740	**8,761**	123,468
Non-controlling interests		**(1,002)**	(776)	**(1,664)**	(1,724)
		(9,079)	67,964	**7,097**	121,744
Total comprehensive income/ (expenses) attributable to:					
Owner of the Company		**(6,294)**	69,985	**14,540**	125,437
Non-controlling interests		**(1,002)**	(776)	**(1,664)**	(1,724)
		(7,296)	69,209	**12,876**	123,713
Profit/(loss) per share	7				
From continuing and discontinued operations					
Basic *(HK cents per share)*		**(0.07)**	0.64	**0.08**	1.15
Diluted *(HK cents per share)*		**(0.03)**	0.48	**0.07**	0.82
From continuing operations					
Basic *(HK cents per share)*		**(0.07)**	0.64	**0.08**	1.15
Diluted *(HK cents per share)*		**(0.03)**	0.48	**0.07**	0.82

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	NOTES	(Unaudited) As at 30 June 2011 HK$'000	(Audited) As at 31 December 2010 HK$'000
Non-current assets			
Property, plant and equipment	8	**103,703**	64,527
Mining right		**200,000**	200,000
Goodwill		**487,695**	487,695
Other intangible assets		**20,977**	22,344
Available-for-sales investments		**11,000**	11,000
		823,375	785,566
Current assets			
Inventories		**41,250**	34,422
Trade receivables	9	**187,883**	189,947
Other receivables, deposits and prepayments		**155,117**	94,978
Financial assets held for trading		**7,773**	9,762
Tax recoverable		**63**	3
Cash and bank balances		**70,351**	152,027
		462,437	481,139
Current liabilities			
Trade payables	10	**91,027**	76,846
Accruals and other payables		**48,048**	33,202
Deposit received		**9,188**	35,371
Amounts due to related companies		**14,117**	14,010
Tax payable		**143**	143
		162,523	159,572
Net current assets		**299,914**	321,567
Total assets less current liabilities		**1,123,289**	1,107,133

	NOTES	(Unaudited) As at 30 June 2011 HK$'000	(Audited) As at 31 December 2010 HK$'000
Capital and reserves			
Share capital	11	**112,725**	112,725
Reserves		**815,948**	801,408
Equity attributable to owners of the Company		**928,673**	914,133
Non-controlling interests		**(431)**	1,233
Total equity		**928,242**	915,366
Non-current liabilities			
Convertible bonds	12	**195,047**	191,767
		1,123,289	1,107,133

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2011 (Unaudited)

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Net cash outflow from operating activities	**(40,162)**	(32,638)
Net cash outflow from investing activities	**(47,294)**	(9,964)
Net cash (outflow)/inflow from financing activities	**–**	–
Decrease in cash and cash equivalents	**(87,456)**	(42,602)
Effect of foreign exchange rate changes	**5,780**	1,931
Cash and cash equivalents at beginning of period	**152,027**	121,739
Cash and cash equivalents at end of period	**70,351**	81,068
Analysis of balances of cash and cash equivalents:		
Cash and bank balances	**70,351**	81,068
Less: pledged bank deposits	**–**	–
Cash and cash equivalents at end of period	**70,351**	81,068

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011 (Unaudited)

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note (ii))	General reserve HK$'000 (Note (i))	Convertible bonds Equity Reserve HK$'000	Share-based compensation reserve HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1 January 2010	107,384	966,082	(46,815)	1,852	25,432	30,082	2,449	(363,538)	722,928	4,509	727,437
Recognition of equity-settled share-based payments	–	–	–	–	–	29,074	–	–	29,074	–	29,074
Total comprehensive income attributable to shareholders	–	–	–	–	–	–	1,969	123,468	125,437	(1,724)	123,713
At 30 June 2010	107,384	966,082	(46,815)	1,852	25,432	59,156	4,418	(240,070)	877,439	2,785	880,224
At 1 January 2011	112,725	983,095	(46,815)	11,512	22,999	57,173	6,636	(233,192)	914,133	1,233	915,366
Transfer to general reserve	–	–	–	91	–	–	–	(91)	–	–	–
Total comprehensive income attributable to shareholders	–	–	–	–	–	–	5,779	8,761	14,540	(1,664)	12,876
At 30 June 2011	112,725	983,095	(46,815)	11,603	22,999	57,173	12,415	(224,522)	928,673	(431)	928,242

(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 not early 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) Three months ended 30 June		**(Unaudited) Six months ended 30 June**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Turnover				
Provision of HIT Services	**51,928**	189,242	**108,615**	279,060
Mining	**–**	–	**–**	–
Sales of radio trunking systems integration	**–**	–	**–**	–
	51,928	189,242	**108,615**	279,060
Other revenues				
Interest income	**60**	137	**101**	141
Others	**2,769**	108	**2,772**	2,771
	2,829	245	**2,873**	2,912
Total revenues	**54,757**	189,487	**111,488**	281,972

3. Segment information

All of the segment revenue reported below is from external customers.

No geographical segment information is presented as secondary segment information as substantially all the Group's turnover and contribution to operating results were carried out in the PRC. An analysis of the Group's segment revenue and result by principal activities for the period is as follows:

For the three months ended 30 June 2011 (Unaudited):

	Continuing operations						Consolidated			
	Provision of HIT Services		Mining of mineral resources		Sales of radio trunking systems integration		Continuing		Discontinued	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER										
Revenue	**51,928**	189,242	**–**	–	**–**	–	**51,928**	189,242	**–**	129,816
RESULTS										
Segment results	**(3,300)**	90,178	**–**	(514)	**(123)**	(632)	**(3,423)**	89,032	**–**	(5,041)
Other income							**2,829**	245	**–**	4,890
Unallocated corporate expenses							**(6,839)**	(19,251)	**–**	–
Profit/(loss) from operations							**(7,433)**	70,026	**–**	(151)
Finance costs							**(1,646)**	(1,760)	**–**	(145)
Profit/(loss) before tax							**(9,079)**	68,266	**–**	(296)
Income tax expenses							**–**	(5)	**–**	(1)
Net profit/(loss) for the period							**(9,079)**	68,261	**–**	(297)

For the six months ended 30 June 2011 (Unaudited):

	Continuing operations						Consolidated			
	Provision of HIT Services		Mining of mineral resources		Sales of radio trunking systems integration		Continuing		Discontinued	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER										
Revenue	**108,615**	279,060	**–**	–	**–**	–	**108,615**	279,060	**–**	321,341
RESULTS										
Segment results	**17,289**	165,201	**(340)**	(763)	**(883)**	(1,013)	**16,066**	163,425	**–**	(12,297)
Other income							**2,873**	2,912	**–**	11,979
Unallocated corporate expenses							**(8,563)**	(40,548)	**–**	–
Profit/(loss) from operations							**10,376**	125,789	**–**	(318)
Finance costs							**(3,279)**	(3,505)	**–**	(159)
Profit/(loss) before tax							**7,097**	122,284	**–**	(477)
Income tax expenses							**–**	(5)	**–**	(58)
Profit/(loss) after tax							**7,097**	122,279	**–**	(535)

4. Profit/(Loss) before tax from continuing operations

	Three months ended 30 June		Six months ended 30 June	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	***HK$'000***	*HK$'000*
Profit/(loss) before tax from continuing operations has been arrived after charging/(crediting):				
Cost of sales and services	**48,175**	97,749	**64,704**	102,339
Depreciation of property, plant and equipment	**2,122**	289	**4,274**	1,442
Research and development costs	**1,193**	119	**1,225**	1,246
Operating lease rental in respect of rented premised	**1,789**	485	**2,921**	1,861
Staff costs, including directors' emoluments:				
– Basic salaries and other benefits	**4,061**	1,527	**8,531**	4,430
– Equity-settled share-based payments from continuing operations	**–**	8,465	**–**	29,074

5. Income tax expense

The amount of taxation charged to the consolidated statement of comprehensive income represents:

		Three months ended 30 June		Six months ended 30 June	
		2011	2010	**2011**	2010
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations:					
Hong Kong profits tax	(i)	**–**	–	**–**	–
Overseas taxation	(ii)	**–**	(5)	**–**	(5)
		–	(5)	**–**	(5)

(i) No provision for Hong Kong profits tax has been made as the Group has no assessable profits for the relevant periods.

(ii) Overseas taxation represents tax charges on the assessable profits of certain subsidiaries operating in the PRC calculated at the applicable rates.

6. Discontinued operations

Disposal of the automobile stamping and welding parts business

On 5 March 2010, the board of directors announced that the Group is going to dispose the Group's automobile stamping and welding parts business at an aggregated consideration of RMB47 millions. This disposal is consistent with the Group's long-term policy to focus its activities in the sale and maintenance of healthcare system business, the radio trunking systems integration business, and mining of mineral resources in the PRC. The Group has not recognised any impairment losses in respect of the automobile stamping and welding parts business, neither when the operation was reclassified as held for sales nor at the end of the reporting period.

Analysis of profit for the period from discontinued operations

The results of the discontinued operations included in the consolidated statement of comprehensive income are set out below. The comparative expenses and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current period.

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) for the period from discontinued operations		
Turnover	–	321,341
Cost of sales and services	–	(325,715)
Gross (loss)/profit	–	(4,374)
Other revenue	–	11,979
Expenses	–	(8,082)
Attributable income tax expenses	–	(58)
(Loss)/profit for the period from discontinued operations (attributable to the owners of the Company)	–	(535)
Profit/(loss) for the period from discontinued operation include the following:		
Auditor's remuneration	–	192
Depreciation of property, plant and equipment	–	4,872
Cash flows from discontinued operations		
Net cash (outflow) inflow from operating activities	–	(12,697)
Net cash outflow from investing activities	–	(3)
Net cash inflow (outflow) from financing activities	–	–
Net cash (outflow) inflow	–	(12,700)

7. Profit/(loss) per share

From continuing and discontinued operations

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

	(Unaudited) For the six months ended 30 June 2011 HK$'000	2010 HK$'000
Profit/(loss) for the period		
Profit/(loss) for the period attributable to owners of the Company	**8,761**	123,468
Effect of dilutive potential ordinary share: Interest on convertible bonds (net of tax)	**2,925**	10,073
Profit/(loss) for the purpose of diluted earnings/(loss) per share	**11,686**	133,541

	(Unaudited) As at 30 June 2011	2010
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**10,986,984,230**	10,738,445,814
Effect of dilutive potential ordinary share: Convertible bonds and share options	**5,054,940,932**	5,589,148,148
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**16,041,925,162**	16,327,593,962

From continuing operations

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

Profit/(loss) figures are calculated as follows:

	(Unaudited) For the six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit/(loss) for the period attributable to owners of the Company	**8,761**	123,468
(Loss)/profit for the period from discontinued operations	**–**	(535)
Profit/(loss) for the purpose of basic earnings/(loss) per share from continuing operations	**8,761**	124,003
Effect of dilutive potential ordinary share:		
Interest on convertible bonds (net of tax)	**2,925**	10,073
Profit/(loss) for the purpose of diluted earnings/(loss) per share from continuing operations	**11,686**	134,076

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

No diluted profit/(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 years.

From discontinued operations

Basic loss per share for the discontinued operation is nil (2010: profit per share of HK0.005 cents) based on the loss for the period from the discontinued operations of approximately HK$nil million (2010: profit for the period of HK$0.5 million) 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 period.

8. Property, plant and equipment

	30 June 2011 HK$'000	31 December 2010 HK$'000
Net book value, beginning of the period/year	**64,527**	4,495
Additions	**43,450**	66,602
Depreciation	**(4,274)**	(6,677)
Elimination upon disposal	**–**	(33)
Exchange rate adjustment	**–**	140
Net book value, end of the period/year	**103,703**	64,527

9. Trade receivables

The Group has a policy of allowing its trade customers with credit period normally ranging from 45 days to 180 days or according to the terms of the sales contracts. The ageing analysis of trade receivables of the Group is as follows:

	0 to 30 days HK$'000	31 to 60 days HK$'000	61 to 90 days HK$'000	91 to 120 days HK$'000	Over 120 days HK$'000	Total HK$'000
As at 30 June 2011	10,003	–	46,054	35,679	96,147	187,883
As at 31 December 2010	3,828	–	50,882	96,583	38,654	189,947

10. Trade payables

The ageing analysis of trade payables of the Group is as follows:

	0 to 30 days HK$'000	31 to 60 days HK$'000	61 to 90 days HK$'000	91 to 120 days HK$'000	Over 120 days HK$'000	Total HK$'000
As at 30 June 2011	21,629	131	–	–	69,267	91,027
As at 31 December 2010	2,542	12	–	74,080	212	76,846

11. Share capital

	The Company			
	30 June 2011		31 December 2010	
	Number of share of HK$0.01 each	**Nominal Value** *HK$*	Number of share of HK$0.01 each	Nominal Value *HK$*
Authorised:				
Ordinary shares	**5,000,000,000**	**50,000,000**	50,000,000,000	5,000,000,000
Issued and fully paid:				
Beginning of period/year	**10,738,445,814**	**107,384,458**	10,738,445,814	107,384,458
End of period/year	**10,738,445,814**	**107,384,458**	10,738,445,814	107,384,458

12. Convertible bonds

On 8 January 2009, the Group issued convertible bonds with an aggregate principal amount of HK$465 million (the "CB I") due in 2014 with conversion price of HK$0.04 per share to acquire 100% equity interests in Super Surplus Trading Limited.

The Group may redeem the CB I at 105% of the principal outstanding amount at any time from the date of issue to the maturity date. Any CB I outstanding on the maturity date shall be redeemed by the Group at 105% of the outstanding principal amount.

In the year 2009, the CB I were converted into ordinary shares with aggregate principal amounts of HK$241,440,000 at a conversion price of HK$0.04 per conversion share. There are no conversion during the six months ended 30 June 2010.

The CB I do not bear any interest. The effective interest rate of liability is 3.44%. The maturity date is on the fifth anniversary of the date of issue of the CB I.

On 23 October 2009, the Group issued convertible bonds with an aggregate principal amount of HK$498 million ("CB II") due in 2014 with conversion price of HK$0.168 per share to acquire 100% equity interest of Wealthy China Group Limited.

The company may redeem the CB II at 105% of the principal outstanding amount at any time from the date of issue to the maturity date. Any CB II outstanding on the maturity date shall be redeemed by the Company at 105% of the outstanding principal amount.

At 31 December 2009, the CB II were totally converted into ordinary shares with aggregate principal amounts of HK$498 million at a conversion price of HK$0.168 per conversion share.

The CB II do not bear any interest. The effective interest rate of liability is 82.1%. The maturity dates are on the fifth anniversary of the date of issue of the CB II.

The movement of liabilities component of the Convertible Bonds for the year is set out below:

	THE GROUP AND THE COMPANY CB I
	HK$'000
Proceeds of issue	465,000
Equity component	(52,898)
Liability component at date of issue	412,102
Interest charged	9,319
Converted into ordinary shares	(229,653)
Non-current liability component at 31 December 2010 and 1 June 2011	191,768
Imputed finance cost	3,279
Non-current liabilities component as at 30 June 2011	195,047

13. Dividend

The Board of the Company does not recommend the payment of an interim dividend throughout the six months ended 30 June 2011.

14. Charge on group's assets

No group assets were charged or pledged to secure any loans or borrowings as at 30 June 2011 (at 31 December 2010: Nil).

15. Comparative figures

Certain comparative figures have been reclassified to conform with current year'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 and the China Health Promotion Foundation 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 became 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:

I) 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 Wujieping 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-to-late 2011.

II) Medical Imaging Service System

The Group has applied its proprietary software and the research and development technology across engineering and medical subjects, and established professional Medical Imaging System Platform in Mainland China through the collaboration with the Ministry of Health in China and its subunits. The system, when establishment, is expected to become one of the largest medical imaging database in Asia and one of the most comprehensive imaging database in the PRC medical field with an overwhelming superiority.

The Medical Imaging Service Platform is specially designed for the development direction of the PRC medical and public health policies, which play a vital role in helping PRC health institutions at all levels to realize achieve long term medical target. This could closely complement with the development planning of "12th Five-year Plan" in the PRC starting from this year.

The Company's proprietary medical imaging software aims to apply "Cloud Services" system to cover the all aspects of medical imaging service chain through Internet technology. Through the joint investment with health departments in various areas, it will become one of the most widely used medical imaging service systems in the coming five years.

The system can perform the following functions:

a) international leading medical imaging database
b) customizable medical imaging data service
c) medical imaging application and development
d) Expert level science and research training platform
e) patient self enquiry
f) Medical appliances and instruments logistics platform

The Company is applying a database in line with ACR international standards and cooperating with China Health Promotion Foundation to establish project fund. This system has covered over 100 upper first-class teaching hospitals, and successfully achieved the objective of collecting clinical information. To participate in the project fund as the leaders in the academic field of medical imaging, it is expected that over 100 chief physicians will participate in the research and development of the project. We will also establish cooperation relationship with over 200 upper first-class hospitals.

Through the preparation work in 2011, it is expected that the Company will establish medical imaging data service bases in the following regions in the initial stage:

1) Xian City, Shaanxi Province
2) Nanjing City, Jiansu Province
3) Tianjing Municipality
4) Xinjiang Autonomous Region
5) Beijing Municipality

III) *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 project is generally last for 3 years, from the fourth quarter of 2010, the revenue for the quarter was mainly from the projects of Xizang Autonomous Region and Xinjiang Autonomous Region Government. As the source of income for the quarter were sales and laying of hardwares, therefore, costs for the quarter were relatively higher.

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. 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.

IV) 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 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.

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.

As at 30 June 2011, the conversion price of the outstanding Convertible Bonds of HK$202 million will be HK$0.04.

Radio Trunking System Integration

For the six months ended 30 June 2011, the radio trunking business did not record any turnover. There was no change in turnover as compared to the corresponding period 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 with customers for 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 six months period ended 30 June 2011, the unaudited consolidated turnover of the Group from continuing operations was approximately HK$109 million and HK$279 million in the corresponding period in 2010. The unaudited profit attributable to shareholders for the six months ended 30 June 2011 amounted to approximately HK$9 million.

The turnover approximately HK$109 million from the business of healthcare information technology ("HIT") compare to the same period on 2010 the turnover have recorded HK$279 million, where have recorded a decrease of HK$170 million or decrease by 60.9%, 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.

The Group obtained approximately HK$2.8 million other income which was mainly the refund of business tax, of approximately HK$2.7 million. And there is also HK$101 thousand of the bank interest income contribute the other income in the current period. We have recorded HK$2.9 million of other income in the same period in the last year. The decrease in other income by approximately HK$0.2 million, which is due to the decrease in the tax refund of HK$0.2 million in the current year.

Distribution costs increase from HK$3.2 million to HK$7.6 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 from HK$50.4 million to HK$23.7 million it mainly 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$3.3 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$9 million for the half year in the year 2011, and in the same period of last year we recorded a profit of HK$123 million, representing the decrease of 92%.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position, with bank balances and cash amounting to HK$70 million as at 30 June 2011. This represented an decrease of 14% as compared with the position as at 30 June 2010 of HK$81 million.

Convertible bonds in the original principal amount of HK$465 million was issued by the Company and of which HK$241 million were converted in 2009. The further HK$22 million was substantially converted into 534 million shares of the Company during 2010. As at 30 June 2011, a principal amount of HK$202 million of convertible bonds were still outstanding with conversion price of HK$0.04.

As at 30 June 2011, the Group's gearing ratio is 21% (31 December 2010: 20%), calculated on the basis of the Group's non-current liabilities over equity attributable to owners of the Company. Taking into consideration the existing financial resources available to the Group, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

CAPITAL STRUCTURE

Convertible bonds in the original principal amount of HK$465 million was issued by the Company and which of HK$241 million were converted in 2009. The further HK$22 million were substantially converted into 534 million ordinary shares of the Company during 2010. As at 30 June 2011, a principal amount of HK$202 million of convertible bonds were still outstanding with conversion price of HK$0.04.

CHARGE ON GROUP ASSETS

For the six months ended 30 June 2011, no group assets were charged or pledged to secure any loans or borrowings.

FOREIGN CURRENCY EXPOSURE

Since the Group's sales, purchases and loans were substantially denominated in either RMB or Hong Kong dollars, the Directors of the Company considers that the potential foreign exchange exposure of the Group is limited.

CONTINGENT LIABILITIES

As at 30 June 2011, the Board was not aware of any material contingent liabilities.

STAFF AND REMUNERATION POLICIES

As at 30 June 2011, the Group employed a workforce of approximately 240, the majority of whom were employed in the PRC. Staff cost of basic salaries and other benefits for continuing operations, including directors' remuneration, amounted to approximately HK$8 million for the six months ended 30 June 2011. The Group's remuneration policy has been in line with the prevailing market practice including discretionary bonus and remunerates its employees based on their performance and contribution. Other benefits include contributions to pension scheme and medical insurance.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Development and expansion of HIT business, the Group considered HKD200 million for future capital expenditure in coming year. We endeavour to providing high quality products and competitive service. The Group remains optimistic about its long terms prospects, our efficient operations strategy continue to position us to create value for our shareholders.

Save as disclosed herein, the Group did not have any details of future plan for material investments or capital assets as at 30 June 2011.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as the above, the Group had no acquisitions or disposals of subsidiaries and affiliated companies of during the period.

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

As at 30 June 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 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
Mr. Lu Chuming *(Note 1)*	Beneficial	830,000	–	830,000	0.01%

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$0.168 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 page 31 and 32.

Save as disclosed above, as at 30 June 2011, 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 30 June 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	575,142,857	–	575,142,857	5.10%

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 30 June 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 old share option scheme adopted in 2003 was terminated on 14 January 2007. All outstanding options granted under the old share option scheme were cancelled upon termination thereof.

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 the Group, any consultant, adviser, agent, supplier, customer, business partner or shareholder of the Group for their contribution or potential contribution to the Group.

Pursuant to the Scheme, as at 30 June 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 30 June 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			

None of the employees and consultants of the Group had exercised their share options during the period ended 30 June 2011.

The total number of Shares available for issue under the Scheme as at the date thereof was 357,659,900 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 30 June 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules for the six months ended 30 June 2011.

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 six months ended 30 June 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 six months ended 30 June 2011.

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

Hong Kong, 12 August 2011

As at the date hereof, 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.