

PUBLIC HEALTHCARE

中國公共醫療

First Quarterly Report 2012



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.

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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\$7.29 million for the three months ended 31 March 2012, representing an approximately 87.15% decrease over the same period of the previous year;
- Recorded an unaudited loss attributable to the equity holders of the Company of approximately HK\$45.04 million, for the three months ended 31 March 2012;
- The Directors do not recommend the payment of a dividend for the three months ended 31 March 2012.

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 2012, together with the unaudited comparative figures for the corresponding period in 2011, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

		(Unaudited) For the three months ended 31 March	
	NOTES	2012 HK\$'000	2011 HK\$'000
Turnover	2	7,287	56,687
Cost of sales and services		<u>(4,859)</u>	<u>(16,529)</u>
Gross profit		2,428	40,158
Other revenue	2	3,427	44
Distribution expenses		(2,763)	(4,036)
Administrative expenses		(47,177)	(16,915)
Realised gain on disposal of financial assets held for trading		–	106
Unrealised loss on financial assets held for trading		<u>(404)</u>	<u>(1,548)</u>
(Loss)/profit from operations		(44,489)	17,809
Finance costs		<u>(1,689)</u>	<u>(1,633)</u>
(Loss)/profit before tax		(46,178)	16,176
Income tax expenses	3	–	–
(Loss)/profit for the period		(46,178)	16,176
Other comprehensive income			
Net gain arising on revaluation of available-for-sale investment during the period		69	–
Exchange difference on translation of the financial statements of foreign operations		<u>(715)</u>	<u>3,996</u>
Other comprehensive (expenses)/income for the period, net of tax		<u>(646)</u>	<u>3,996</u>
Total comprehensive (expenses)/income for the period		<u>(46,824)</u>	<u>20,172</u>

		(Unaudited) For the three months ended 31 March	
	NOTES	2012 HK\$'000	2011 HK\$'000
(Loss)/profit attributable to:			
Shareholders of the Company		(45,041)	16,836
Non-controlling interests		(1,137)	(660)
		<u>(46,178)</u>	<u>16,176</u>
Total comprehensive (expenses)/income attributable to:			
Shareholders of the Company		(45,687)	20,832
Non-controlling interests		(1,137)	(660)
		<u>(46,824)</u>	<u>20,172</u>
(Loss)/profit per share	4		
Basic (<i>HK cents per share</i>)		<u>(0.40)</u>	<u>0.15</u>
Diluted (<i>HK cents per share</i>)		<u>(0.40)</u>	<u>0.12</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2012 (unaudited)

	Share Capital HK\$'000	Share Premium HK\$'000	Merger Reserve HK\$'000 (Note (i))	General Reserve HK\$'000 (Note (i))	Share-based Compensation Reserve HK\$'000	Convertible Bonds Equity Reserve HK\$'000	Investments Revaluation Reserve HK\$'000	Exchange Currency Translations Reserves HK\$'000	Accumulated Losses HK\$'000	Attributable to Shareholders of the Company HK\$'000	Non- Controlling Interest HK\$'000	Total HK\$'000
Three months ended 31 March 2011												
At 1 January 2011	112,725	983,095	(46,815)	11,512	57,173	22,999	-	6,636	(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)	11,603	57,173	22,999	-	10,632	(216,447)	934,965	573	935,538
Three months ended 31 March 2012												
At 1 January 2012	112,725	983,095	(46,815)	24,338	57,173	22,999	94	24,574	(502,629)	675,554	24,881	700,435
Recognition of equity-settled share-based payments	-	-	-	-	21,360	-	-	-	-	21,360	-	21,360
Recognition of equity component of convertible bonds	-	-	-	-	-	7,193	-	-	-	7,193	-	7,193
Total comprehensive income attributable to shareholders	-	-	-	-	-	-	69	(715)	(45,041)	(45,687)	(1,137)	(46,824)
At 31 March 2012	112,725	983,095	(46,815)	24,338	78,533	30,192	163	23,859	(547,670)	658,420	23,744	682,164

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 (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 2011. 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 issued by the HKICPA, which are or have become effective.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ¹ Disclosures – Offsetting Financial Assets and Financial Liabilities ¹ Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁶
HKFRS 9 (Revised)	Financial Instruments ⁶
HKFRS 10	Consolidated Financial Statements ⁴
HKFRS 11	Joint Arrangements ⁴
HKFRS 12	Disclosures of Interests in Other Entities ⁴
HKFRS 13	Fair Value Measurement ⁴
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ²
HKAS 19 (as revised in 2011)	Employee Benefits ⁴
HKAS 27 (as revised in 2011)	Separate Financial Statements ⁴
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ⁴
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ⁵
HK (IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ⁴

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

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

The adoption of the new and revised 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 recognised are as follows:

	(Unaudited)	
	For the three months	
	ended 31 March	
	2012	2011
	HK\$'000	<i>HK\$'000</i>
Turnover		
Provision of HIT services	7,287	56,687
Mining	-	-
Sales of radio trunking systems integration	-	-
	7,287	56,687
Other revenue		
Gain on disposal of fixed asset	3,400	-
Interest income	27	41
Others	-	3
	3,427	44
Total revenues	10,714	56,731

3. Income tax expenses

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

		(Unaudited) For the three months ended 31 March	
	<i>Notes</i>	2012 HK\$'000	2011 HK\$'000
Continuing operations:			
Hong Kong profits tax	(i)	–	–
Overseas taxation	(ii)	–	–
		<u>–</u>	<u>–</u>

Notes:

- (i) No provision for Hong Kong profits tax is required as the Group has no assessable profit in Hong Kong for the period (2011: 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. (Loss)/profit per share

The calculation of the basic and diluted profit per share attributable to Shareholders of the Company is based on the following data:

	(Unaudited) For the three months ended 31 March	
	2012 HK\$'000	2011 HK\$'000
(Loss)/profit for the period		
(Loss)/profit for the period attributable to Shareholders of the Company	(45,041)	16,836
Effect of dilutive potential ordinary share*: Interest on convertible bonds (net of tax)	<u>–</u>	<u>2,901</u>
(Loss)/profit the purpose of diluted earnings per share	(45,041)	19,737

	(Unaudited) As at 31 March 2012		2011
Number of shares			
Weighted average number of ordinary shares for the purpose of basic (loss)/profit per share	11,272,498,882		10,986,984,230
Effect of dilutive potential ordinary share*:			
Convertible bonds and share options	—		5,054,940,932
Weighted average number of ordinary shares for the purpose of diluted (loss)/profit per share	11,272,498,882		16,041,925,162

* *Effect of conversion of convertible bonds would result an anti-dilutive effect in the calculation of diluted loss per share. Therefore, the basic and diluted loss per share in 2012 is the same. Effect of dilutive potential ordinary shares in respect of outstanding share options are anti-dilutive for both periods.*

5. Dividend

The Board does not recommend the payment of a dividend for the three months ended 31 March 2012 (2011: Nil).

6. Comparative figures

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

BUSINESS REVIEW AND OUTLOOK

Healthcare Information Technology (“HIT”) in the PRC

Through the sale of products and provision of services, the Group was an one of the major provider of the HIT system that is in line with the requirements of the China hospital systems. The Group will continue to endeavour to maintain its market share in 2012. Our main products and services are set out as follows:

1) Medical Imaging Database System

After the research and development during this phase, the Medical Imaging Database System continues to integrate with the latest research achievements across engineering and modern medical fields and has entered into an important phase of online testing.

With the commencement of the online testing, the first professional Medical Imaging Database System Platform in Mainland China has begun to take shape. The launch of the internet platform will complete the top and bottom cycles of the Medical Imaging Database System which enables it to become really capable of serving the PRC health institutions at all levels as well as achieving remote medical target with an overwhelming pioneer advantage in this field.

Leveraging on its proprietary medical imaging software, the Company establishes the “Cloud Services” system on the internet in the long run, enabling the Medical Imaging Database System to cover medical imaging service contents, which will be widely used for a long period of time in the future in Mainland China.

The medical imaging database is enriching continuously to provide support for the smooth operation of the network platform. Through in-depth, flexible and diversified cooperation with health departments in various areas, medical imaging data in various areas of Mainland China was continuously added into the database adopting ACR international standards.

At the beginning stage of data collection, we adopted the internationally accepted ACR international standards, which allowed the Company’s own Medical Imaging Database System to become an international leading database provider immediately upon its establishment and realise the customisable medical imaging data service. In addition, it had the following functions:

- a. Medical imaging application and development: Trial run was commenced in various fields.

- b. Expert level science and research training platform: It already created certain influence among the Ministry of Health in China and its institutions.
- c. Patient self enquiry: The establishment of network platform made it become feasible.
- d. Medical appliances and logistics platform: With in-depth development of various applications, the platform has begun to take shape.

II) *Electronic Medical Records (EMR) system*

The Group will continue to cooperate with employing intermediate agents as a principle market strategies for EMR projects.

Due to the past effect of government supporting for hospitals in Mainland China, there was an increase in EMR products selling and installation cycle, this leads to delay for obtaining sales orders and completion of sales contracts for public hospitals in various regions in adopting EMR. Therefore, during the quarter, there was a decrease in the amount of sales recorded for the Group's EMR systems as compare with the first quarter in 2011.

III) *Regional Public Health Medical System Regional Healthcare Platform*

The Group 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 and rural area residents according to the requirements and standards of Ministry of Health in China ("MOHC"). The revenue for the quarter was mainly focus on the projects in Tianjin City, Shanghai City, Guangdong Province and Beijing City.

Mining Business

The Directors are of the view that the long-term prospect of mineral resource prices will remain optimistic due to the continued demand from developing countries such as the PRC, India and Russia. The Group still needed to adjust the production plan of the mining operations. The mining operations have not yet begun to bring revenue contribution during the year.

Radio Trunking System Integration

The radio trunking business did not record any turnover in the first quarter of 2012. No turnover generated from the business was mainly due to the fact that the requirement of the customers for radio trunking system is moving towards digitalized products in line with the advancement of technology. As such, a new round of restructuring of the radio trunking system market in the Mainland China was triggered. The Group's self-developed software technology, namely Frequency-division multiple access ("FDMA") system, could not be launched to the market as affected by these changes of the overall trend of the industry.

Group Future Development

Acquisition of diamonds and precious stone retail business in China

The Company and Ample Rich Capital Limited (a subsidiary of the Company) entered into an agreement dated 20 January 2012 with the Vendors, pursuant to which the Group has conditionally agreed to acquire all of the issued share capital of the Million Zone Holdings Limited and its subsidiaries ("Target Group") from the Vendors at the consideration of HK\$600,000,000 (subject to adjustment). The Target Group is mainly engaged in the retail business of diamonds, jades as well as other precious stones and related jewelry through 北京全城熱戀商場有限公司 (Beijing City-In-Love Market Limited) (being a principal operating company of the Target Group in Beijing, China). The prospects of diamonds will remain positive in the next few years. Accordingly, the Directors believe that there will be rising consumer demand in Mainland China for quality goods and increasing consumption desire for luxury goods.

The Group has always adhered to a business strategy which steps up resources integration, business restructuring and exploration of business with more certain prospects. Efforts will be dedicated to foster the rapid development and healthy growth of the Group's business. The Acquisition represents a unique and good opportunity for the Group to acquire profitable and speedily growing business and to diversify into the promising retail market in Mainland China. The Board believes that in addition to the Group's existing business in the HIT industry, the Target Group will provide the Group with another major source of revenue and profit from the retail business in Mainland China.

FINANCIAL REVIEW

Revenue

For the three months period ended 31 March 2012, the unaudited consolidated turnover of the Group was approximately HK\$7.29 million and HK\$56.69 million in the corresponding period in 2011. The unaudited loss attributable to shareholders for the three months ended 31 March 2012 amounted to approximately HK\$45.04 million.

The decrease mainly due to the terms of contract from customers are still not yet finalized. Also, market competition of HIT business in PRC is significant during the period.

Other revenue

During the period, the Group obtained approximately HK\$3.43 million in other revenue and the increase in other revenue by approximately HK\$3.38 million was due to the gain from disposal of fixed asset of HK\$3.4 million.

Distribution expenses

Distribution costs decrease from HK\$4.04 million to HK\$2.76 million mainly represented marketing and promotions expenses for the development of the HIT business, the decrease in amount was in line with decrease in turnover.

Administrative expenses

Administrative expenses increase from HK\$16.92 million to HK\$39.68 million was due to the share based payment of approximately HK\$21.36 million from granted 800 million new share options to certain employees for services rendered.

Finance cost

Finance cost for the period of approximately HK\$1.69 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.

Loss for the period

As a result, the Group recorded the loss attributable to shareholder of approximately HK\$45.04 million for the first quarter in the year 2012, and in the same period of last year we recorded a profit of HK\$16.84 million.

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

As at 31 March 2012, 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	Number of underlying shares	Approximate percentage of issued share capital
Mr. Stephen William Frostick (Note 1)	Beneficial	–	10,000,000	0.09%
Mr. Lu Chunming (Note 2)	Beneficial	830,000	–	0.01%
Mr. Cheng Chun Tak (Note 3)	Beneficial	–	35,000,000	0.31%

Notes:

1. Mr. Stephen William Frostick, an Executive Director of the Company, has interest in the Company.
2. Mr. Lu Chunming, an Executive Director of the Company, has interest in the Company directly.
3. Mr. Cheng Chun Tak, an Executive Director of the Company, has interest in the Company.

Long positions in the underlying shares

On 31 March 2010, share options of 10,000,000 shares and 35,000,000 shares at exercise price of HK\$0.186 were granted to two directors of the Company, Mr. Stephen William Frostick and Mr. Cheng Chun Tak (who previously was consultant and appointed as executive director on 6 January 2012), under the Share Option Scheme respectively. These share options are exercisable for a period of 3 years from the date of granted unconditionally.

Save as disclosed above, as at 31 March 2012, 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 2012, 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
Way Capital Investments Limited ("Way Capital") (Note 1)	Beneficial	1,482,142,857	-	1,482,142,857	13.15%
Absolute Power International Limited ("Absolute Power") (Note 2)	Beneficial	-	1,463,263,267	1,463,263,267	12.98%
Ms. Ye Hong (Note 3)	Beneficial	-	1,263,736,733	1,263,736,733	11.21%
Wide Treasure Investment Limited ("Wide Treasure") (Note 4)	Beneficial	-	948,825,912	948,825,912	8.42%

Notes:

1. Way Capital is wholly owned by Lau Wang Tai who is deemed to be interested in the shares.
2. Absolute Power is wholly owned by Hu Chao who is deemed to be interested in the shares.
3. Ms. Ye Hong is an independent third party not connected with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or any of their respective associates. She is not involved in the management of the Company and its subsidiaries.
4. Wide Treasure is wholly owned by She Zhangshu 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 2012, 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 2012 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 2012	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	As at 31 March 2012	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
Cheng Chun Tak	35,000,000	-	-	-	-	35,000,000	31 March 2010	31 March 2010 – 30 March 2013	HK\$0.186
	<u>45,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000,000</u>			
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
Employees	-	800,000,000	-	-	-	800,000,000	26 January 2012	26 January 2012 – 25 January 2015	HK\$0.061
	<u>81,220,000</u>	<u>800,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>881,220,000</u>			
Consultants	58,439,900	-	-	-	-	58,439,900	10 August 2007	10 August 2007 – 9 August 2012	HK\$0.380
Consultants	103,000,000	-	-	-	-	103,000,000	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
	<u>231,439,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,439,900</u>			
	<u>357,659,900</u>	<u>800,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,157,659,900</u>			

The total number of Shares available for issue under the Scheme as at the date thereof was 1,157,659,900 Shares representing approximately 10.27% of the issued share capital of the Company.

COMPETING INTERESTS

The directors of the Company are not aware of, as at 31 March 2012, 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.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "Code") as set out in the Corporate Governance Code as set out in Appendix 15 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"). The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. In the opinion of the Board, the Company has complied with the Code for the period ended 31 March 2012.

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 Corporate Governance Code 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 2012 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 2012.

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

Hong Kong, 14 May 2012

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. Cheng Chun Tak; and three independent non-executive directors, being Mr. Chang Jun, Mr. Tso Hon Sai, Bosco and Mr. Lee Chi Hwa, Joshua.