China HealthCare Holdings Limited
中國衛生控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock code: 673)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

The Board of Directors (the "Board") of China HealthCare Holdings Limited (the "Company") would like to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2012. These interim financial statements have been reviewed by the Audit Committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

		Six months ended 30 September	
		2012	2011
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue	*5*	**12,178**	32,757
Cost of sales		**(2,534)**	(12,842)
Gross profit		**9,644**	19,915
Other income and gains		**1,068**	1,232
Selling and distribution expenses		**(4,021)**	(4,915)
Administrative expenses		**(4,386)**	(26,133)
Other operating expenses		**–**	(8)
Finance costs	*6*	**(72,756)**	(44,693)
Fair value gain on derivative component of redeemable convertible cumulative preference shares	*13*	**6,875**	118,456
(LOSS)/PROFIT BEFORE TAX	*7*	**(63,576)**	63,854
Income tax	*8*	**(855)**	(2,592)
(LOSS)/PROFIT FOR THE PERIOD FROM CONTINUING OPERATION		**(64,431)**	61,262

* *For identification purpose only*

	Notes	Six months ended 30 September 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	*10*	**–**	(729)
(LOSS)/PROFIT FOR THE PERIOD		**(64,431)**	60,533
OTHER COMPREHENSIVE (LOSS)/INCOME			
Exchange differences on translation of foreign operations		**(11,509)**	13,548
Release of exchange differences upon disposal of subsidiaries		**–**	(283)
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL		**(11,509)**	13,265
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(75,940)**	73,798
(Loss)/profit for the period attributable to:			
Owners of the Company		**(51,885)**	60,458
Non-controlling interests		**(12,546)**	75
		(64,431)	60,533
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		**(61,927)**	72,574
Non-controlling interests		**(14,013)**	1,224
		(75,940)	73,798
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	*9*		
Basic and diluted:			
– For (loss)/profit for the period		**HK$(0.10)**	HK$0.12
– For (loss)/profit from continuing operations		**HK$(0.10)**	HK$0.12

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2012

	Notes	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,925**	1,618
Goodwill		**–**	–
Prepayment for acquisition of non-current assets		**–**	–
Other receivable		**4,169**	4,169
Total non-current assets		**6,094**	5,787
CURRENT ASSETS			
Trade receivables	*11*	**28,179**	27,101
Prepayments, deposits and other receivables		**194,770**	192,229
Loan receivables		**–**	–
Restricted bank balances		**17,756**	24,741
Cash and bank balances		**5,271**	7,719
Total current assets		**245,976**	251,790
CURRENT LIABILITIES			
Trade payables	*12*	**83**	83
Other payables and accrued expenses		**22,729**	27,339
Amount due to a director		**2,198**	2,599
Interest-bearing loans from a director and a shareholder		**8,252**	8,052
Derivative component of redeemable convertible cumulative preference shares	*13*	**–**	6,875
Liability component of redeemable convertible cumulative preference shares	*13*	**362,572**	281,801
Liability component of convertible bonds	*14*	**47,388**	46,643
Income tax payables		**2,862**	2,259
Total current liabilities		**446,084**	375,651
NET CURRENT LIABILITIES		**(200,108)**	(123,861)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(194,014)**	(118,074)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*15*	**50,326**	50,326
Reserves		**(348,394)**	(286,467)
		(298,068)	(236,141)
Non-controlling interests		**104,054**	118,067
Deficiency in assets		**(194,014)**	(118,074)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Attributable to owners of the Company										
	Share capital	Share premium	Contributed surplus	Statutory reserves	Convertible bonds reserve	Foreign currency translation reserve	Share options reserve	Accumulated losses	Total	Non-controlling interests	Deficiency in assets
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2012	**50,326**	**293,834**	**57,124**	**1,047**	**3,592**	**18,845**	**1,656**	**(662,565)**	**(236,141)**	**118,067**	**(118,074)**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(51,885)**	**(51,885)**	**(12,546)**	**(64,431)**
Other comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(10,042)**	**–**	**–**	**(10,042)**	**(1,467)**	**(11,509)**
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(10,042)**	**–**	**(51,885)**	**(61,927)**	**(14,013)**	**(75,940)**
At 30 September 2012	**50,326**	**293,834***	**57,124***	**1,047***	**3,592***	**8,803***	**1,656***	**(714,450)***	**(298,068)**	**104,054**	**(194,014)**
At 1 April 2011	50,326	293,834	57,124	1,047	3,592	17,638	1,656	(644,010)	(218,793)	120,978	(97,815)
Profit for the period	–	–	–	–	–	–	–	60,458	60,458	75	60,533
Other comprehensive income for the period	–	–	–	–	–	12,116	–	–	12,116	1,149	13,265
Total comprehensive income for the period	–	–	–	–	–	12,116	–	60,458	72,574	1,224	73,798
At 30 September 2011	50,326	293,834*	57,124*	1,047*	3,592*	29,754*	1,656*	(583,552)*	(146,219)	122,202	(24,017)

* These reserve amounts comprise the consolidated deficiency in reserves of approximately HK$348,394,000 (2011: HK$196,545,000) in the consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
NET CASH FLOWS USED IN OPERATING ACTIVITIES	**(6,048)**	(97,061)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(605)**	(14,475)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(231)**	63,037
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(6,884)**	(48,499)
Effect of foreign exchange rate changes, net	**(2,549)**	885
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**32,460**	172,171
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**23,027**	124,557
Analysis of cash and cash equivalents:		
Restricted bank balances	**17,756**	113,537
Cash and bank balances	**5,271**	11,020
	23,027	124,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2012

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at 26 Burnaby Street, Hamilton HM 11, Bermuda; and principal place of business is located at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeus Road Central, Hong Kong.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies and the basis of preparation adopted in the preparation of these interim condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. The unaudited condensed consolidated interim financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except for when otherwise indicated.

As at 30 September 2012, the Group had net current liabilities of approximately HK$200,108,000 and net liabilities of approximately HK$194,014,000. In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Groups will has sufficient financial resources to continue as a going concern.

Notwithstanding that the Group incurred a loss attributable to owners of the Company of approximately HK$51,885,000 and reported net cash outflow from operating activities of approximately HK$6,048,000 for the six months ended 30 September 2012, in addition, the Group was unable to redeem the convertible bonds ("CB1") which had been due on 18 May 2010 with carrying amount of approximately HK$47,388,000 and redeemable convertible cumulative preference shares ("PS") with initial maturity date of 28 July 2011 with carrying amount of approximately HK$362,572,000 as at 30 September 2012. Both the amounts of CB1 and PS has been overdue and became repayable on demand. The Group has been actively in discussions with the holders of the CB1 for standstills, and a majority of the holders of the CB1 have verbally indicated they would not take immediate legal action against the Company to enforce their rights under the CB1, and these would, de facto, allow the Group to defer the redemption of the CB1, with a view to continue working on a potential restructuring of its capital structure with the holder of the PS ("PS holder"). Also, the Group is currently in discussion with certain prospective external resources providers to bring in viable assets and/or projects to restructure its defaulted financial obligations, and to solve the Group's solvency problem. In the mean time, the Group is implementing stringent cost control measures. The directors of the Company are of the opinion that continuous financial support will be provided by the Group's prospective investors to finance its future working capital and financial requirements, provided that the restructuring of capital structure with PS holder is successful.

Accordingly, notwithstanding that the Group is unable to redeem the CB1 and PS on demand, the directors of the Company are of the opinion that it is still appropriate to prepare the condensed consolidated interim financial statements for six months ended 30 September 2012 on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these adjustments has not been reflected in the condensed consolidated interim financial statements.

3. IMPACT OF NEW AND REVISED HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current period's condensed consolidated interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes: Deferred Tax – Recovery of Underlying Assets

The adoption of the above new and revised HKFRSs has had no significant financial impact on these condensed consolidated interim financial statements.

4. OPERATING SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

No operating segment is presented as the Group basically operated in one single operating segment for the six months ended 30 September 2012 and 2011. An operating segment regarding the sales of medical devices and consumables (collectively referred to as the "Sales of Medical Devices and Consumable Group") discontinued during the period ended 30 September 2011, details of which the segment information are set out in note 10 to the condensed consolidated interim financial statements.

Segment assets excluded restricted bank balances, cash and bank balances and corporate assets as these assets are managed on a group basis.

The following table is an analysis of the Group's assets as at 30 September 2012 and 31 March 2012:

	B-to-C consumer services		Total	
	30 September 2012	31 March 2012	**30 September 2012**	31 March 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**54,994**	40,852	**54,994**	40,852
Corporate and other unallocated assets			**197,076**	216,725
Total assets			**252,070**	257,577

5. REVENUE

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

6. FINANCE COSTS

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

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on loans from a director and a shareholder	**200**	–
Interest on bank loans wholly repayable within five years	**–**	588
Interest on convertible bonds wholly repayable within five years	**745**	713
Interest on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**71,811**	43,392
	72,756	44,693

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax from continuing operations is arrived at after charging/(crediting):

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of other intangible assets	**–**	171
Depreciation of property, plant and equipment	**298**	752
Loss on disposal of items of property, plant and equipment	**–**	6
Interest income	**(37)**	(254)

8. INCOME TAX

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

Subsidiaries established in Mainland China are subject to the PRC enterprise income tax at the standard rate of 25% (2011: 25%). One of the subsidiaries was registered as a new and high technical enterprise and pursuant to the New Corporate Income Tax Law, this subsidiaries (subsequently disposed in December 2011) were subjected to the PRC corporate income tax at a rate of 15% on its assessable profits for the three years ended 31 March 2012.

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax – PRC	**855**	2,592

9. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit attributable to owners of the Company, used in the basic (loss)/earnings per share calculation:		
– From continuing operations	**(51,885)**	61,187
– From discontinued operation	**–**	(729)
	(51,885)	60,458

Number of shares	**2012**	2011
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share	**503,259,665**	503,259,665

In respect of the diluted loss per share amounts presented, no adjustment has been made to the basic loss per share from continuing and discontinued operations attributable to the owners of the Company are presented for the six months ended 30 September 2012 and 2011 as the impact of the CB1 and PS outstanding during these periods had either no dilutive effect or an anti-dilutive effect on the basic loss per share amounts presented.

10. DISCONTINUED OPERATION

In July 2011, the Company entered into a sale agreement to dispose of West Regent Property Limited, which engaged in sales of medical devices and consumables operation. The Group has decided to cease its entire operation of Sales of Medical Devices and Consumables Group because it plans to focus the resources on the Group's B-to-C consumer services. The disposal was completed on 31 July 2011, on which date control of the Sales of the Medical Devices and Consumables Group passed to the acquirer.

The loss for the period from discontinued operation is analysed as follows:

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit of discontinued operation *(note)*	**–**	25
Loss on disposal of subsidiaries	**–**	(754)
Loss for the period from discontinued operation	**–**	(729)

Note:

An analysis of the results of Sales of Medical Devices and Consumables Group included in the condensed consolidated statement of comprehensive income was as follows:

	Six months ended 30 September	
	2012	2011
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**–**	8,632
Expenses	**–**	(8,586)
Profit before tax	**–**	46
Income tax	**–**	(21)
Profit for the period from discontinued operation and attributable to the owners of the Company	**–**	25

The calculations of basic and diluted loss per share from the discontinued operation are as follows:

	2012	2011
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	**503,259,665**	503,259,665
Loss per share:		
Basic and diluted from discontinued operation	**HK$0.0**	HK$0.0

11. TRADE RECEIVABLES

The normal credit period granted to customers of the distribution of mobile pre-charge is 180 days.

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

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**1,923**	2,016
1 to 3 months	**10,013**	3,917
Over 3 months	**16,243**	21,168
	28,179	27,101

12. TRADE PAYABLES

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

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Over 3 months	**83**	83

13. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

On 28 July 2006, the Company issued 15,000 PS of US$0.01 each for a total cash consideration of US$15,000,000 (equivalent to HK$117,000,000). The PS carries dividend at 2% per annum, subject to adjustment to 5% on certain special events payable semi-annually in arrears. The maturity date of the PS is falling on the fifth anniversary of 28 July 2006 (i.e. 27 July 2011) or such later date, not being later than the seventh anniversary of 28 July 2006, as may be agreed in writing between the Company and the holders of the PS. At any time from 28 July 2006 to maturity date, each PS entitles the holder to convert the preference shares into new ordinary shares of the Company at the lower of the following:

(a) the initial conversion price, subject to adjustment, of HK$1.16. The conversion price was adjusted to HK$0.3201 per share (subject to adjustment) due to new ordinary shares of the Company were issued at HK$0.3201 per share on 7 May 2010; and

(b) 0.9 times the volume-weighted average price of the ordinary shares of the Company, subject to adjustment, for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice.

In addition, the holder of the PS shall have the right at any time to require the Company to redeem all or any of the outstanding PS held by it at the early redemption amount of such number of PS so redeemed, provided that the holder of the PS may not exercise such right prior to the maturity date if and for so long as any of certain special events shall not have occurred. Details are disclosed in the Company's circular dated 16 June 2006.

The Group was unable to redeem the PS on maturity date. During the year ended 31 March 2011, the PS holder signed a consent letter to agree a maturity extension to 17 May 2013 with all other terms and conditions of the PS being retained unchanged and to a standstill of redemption rights under the PS before the extended maturity date of PS as long as the Group is pursuing viable opportunities of asset injection; and that upon the completion of such asset injection, the PS holder agrees to turn the outstanding PS to equity of the Group. Due to the uncertainty of the outcome of the Group's ongoing negotiations with the PS holder and potential investors during the year ended 31 March 2012, the PS had been reclassified to current liabilities since 31 March 2012.

The fair value of the derivative component, representing the conversion right entitled to the holders of PS, was estimated at the issuance and the end of each reporting period using Binomial Model and the change in fair value of that component is recognised in profit or loss.

The movement of the liability and derivative components of PS during the period/year is set out below:

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
Liability component		
At the beginning of the period/year	**281,801**	180,755
Exchange realignment	**8,960**	1,310
Interest charged for the period/year	**71,811**	99,736
At the end of the period/year	**362,572**	281,801

	30 September 2012 HK$'000 (Unaudited)	31 March 2012 HK$'000 (Audited)
Derivative component		
At the beginning of the period/year	**6,875**	121,577
Fair value gain on derivative component of PS	**(6,875)**	(114,702)
At the end of the period/year	**–**	6,875

On 18 May 2009, due to the Group's default in the redemption on the CB1, the Company's early redemption obligation of PS was triggered. The liability component included the early redemption obligation at that day is approximately HK$114,218,000 with effective interest rate of 60% per annum.

As at 30 September 2012, the effective interest rate of the liability component of PS is 62% per annum (year ended 31 March 2012: 62%).

The derivative component of PS were revalued at 30 September 2012 and 31 March 2012 based on valuations by Avista Valuation Advisory Limited, an independent qualified valuer not connected to the Group, determined using Binomial Model. The significant inputs to the models were as follows:

	30 September 2012	31 March 2012
Share price of underlying shares	**HK$0.160**	HK$0.345
Exercise price	**HK$0.3201**	HK$0.3201
Expected volatility	**70.26%**	83.70%
Expected life	**0.63 years**	1.13 years
Risk-free rate	**0.23%**	0.16%
Expected dividend yield	**5.00%**	5.00%

14. CONVERTIBLE BONDS

	30 September 2012 *HK$'000* **(Unaudited)**	31 March 2012 *HK$'000* (Audited)
Convertible bonds issued with equity component	**47,388**	46,643

The liability component of convertible bonds is repayable on demand.

On 19 May 2005, the Company issued CB1 with a nominal value of US$6,600,000 due on 18 May 2009. CB1 carries interest at 3% per annum payable semi-annually in arrears with the first interest payment due on 18 November 2005 and the last interest payment due on 18 May 2009. CB1 entitles the holder to convert the bonds into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK$2.525 per share during the period from 19 May 2005 to 18 May 2009. In addition, if CB1 remain outstanding on the maturity date, the Company will redeem the principal of CB1 at 100% of their face value.

The net proceeds received for the issue of CB1 have been split between the liability component and an equity component. The movement of the liability component is as follows:

	30 September 2012 *HK$'000* **(Unaudited)**	31 March 2012 *HK$'000* (Audited)
Carrying amount at the beginning of the period/year	**46,643**	45,188
Interest charged for the period/year	**745**	1,455
Carrying amount at the end of period/year	**47,388**	46,643

The effective interest rate of the liability component of CB1 is 5.135% per annum.

As at and up to 31 March 2012, CB1 with aggregate principal amount of US$1,210,000 (equivalent to approximately HK$9,372,000) had been repurchased by the Group at an aggregate consideration of approximately HK$4,818,000. There is no repurchase of CB1 by the Group during the six months ended 30 September 2012.

On 18 May 2009, CB1 had matured, however, due to liquidity problem, the Group was unable to redeem CB1 at maturity. The Group's default in the redemption on CB1 had triggered the Company's early redemption obligation of CB1 and PS. Subsequent to the maturity date of CB1, the Company reached an understanding with the major holder of CB1 to conditionally postpone the payment by the Company of the outstanding debts of CB1 for three years to 17 May 2013 if the Group can fulfil the conditions requested by the major holder of CB1, which is a successful injection of substantial external resources into the Group, in short, and as long as no additional issuance of any debts by the Group that will rank pari passu with the CB1 upon and after successful injection of substantial external resources. Due to the uncertainty of the outcome of the Group's ongoing negotiation, CB1 had been reclassified to current liabilities as at 31 March 2012.

15. SHARE CAPITAL

	Number of share	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each		
At 1 April 2011, 30 September 2011, 31 March 2012, 1 April 2012 and 30 September 2012	5,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2011, 30 September 2011, 31 March 2012, 1 April 2012 and 30 September 2012	503,259,665	50,326

16. OPERATING LEASE COMMITMENTS

The Group as lessee

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for average terms of three years and rentals are fixed throughout the terms of respective leases.

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases are payables as follows:

	30 September 2012	31 March 2012
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within one year	**323**	513
In the second to fifth years inclusive	**–**	142
	323	655

17. EVENTS AFTER THE REPORTING PERIOD

(a) On 24 November 2012, Fulvis Investments Limited (the “Purchaser”), a wholly-owned subsidiary of the Company, and the Company entered into a sale and purchase agreement (the “Agreement”) with Firstsail Investments Limited (“Firstsail”) and Firstsail’s guarantor, Mr. Shen Yu Luo. Under the Agreement, the Purchaser has conditionally agreed to acquire from Firstsail the entire share capital of Anew Capital Limited (“Anew Capital”), a limited company incorporated in the British Virgin Islands, which holds the entire issued share capital of China Glory New Technology Limited (“China Glory”), a limited company incorporated in Hong Kong, and principally engaged in the sale and distribution of cooling systems in the PRC (the “Acquisition”). The total consideration of the Acquisition is HK$50 million, which shall be satisfied as to HK$32 million by the issue of 100,000,000 new ordinary shares of HK$0.10 nominal value per share and as to HK$18 million by the issue of the promissory note. The details of which have been set out in the Company’s announcement dated 25 November 2012.

(b) On 24 November 2012, The Company and Capital Foresight Limited, the preference shareholder (the “Preference Shareholder”) entered into the preference shares agreement, pursuant to which, the Company agreed to use its best endeavors to procure the fund raising to raise not less than US$15 million in net proceeds, of which US$15 million shall be applied to redeem the preference shares (“Preference Shares”) on or before 31 March 2013 or such later date as the Company and Preference Shareholder may mutually agree in writing (the “Fund Raising Long Stop Date”). Meanwhile the Preference Shareholder agreed that it would not require the Company to redeem the Preference Shares nor would it exercise its conversion rights at any time before the Fund Raising Long Stop Date. Subject to completion of the fund raising, the Company will redeem, and Preference Shareholder will accept the redemption of, all of the Preference Shares and in full and final settlement of all rights that Preference Shareholder may have at an aggregate price of not more than US$19 million, which shall be satisfied as to US$15 million by payment of cash and as to not more than US$4 million by the issue of a promissory note by the Company. The details of which have been set out in the Company's announcement dated 25 November 2012.

18. LITIGATION

On or around 19 August 2010, Wingames Investments Limited (“Wingames”), an indirectly wholly-owned subsidiary of the Company, entered into an agreement (the “Agreement”) with Mascot Land Limited (“Procurer”), China Zhongfu Industry Co., Ltd. (“China Zhongfu”), Shanghai Zhongfu International Trading Co., Ltd. (“Shanghai Zhongfu”), Anhui Anhe Investment Consulting Co., Ltd. (“Anhui Anhe”), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the “Management Guarantors”) (collectively known as “Guarantors”), being the independent third parties, to acquire equity interests of in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. (“Shanghai FSY”) and its affiliated entities, for a total consideration of HK$3,360 million by way of a very substantial acquisition (the “VSA”), details of which have been set out in the Company’s circular dated 23 February 2011. The VSA transaction, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants in Hong Kong since 31 May 2011 (the “Litigation”), with relevant details and developments of the Litigation as disclosed in a series of announcements since 3 June 2011.

The latest status of the litigations has been disclosed in the Company’s announcement dated 19 October 2012. The Company is in negotiation with the defendants of the Litigation for a possible settlement.

19. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board on 30 November 2012.

MANAGEMENT DISCUSSION AND ANALYSIS

Interim Results and Dividends

During the six months ended 30 September 2012, the revenue of the Group was HK$12.2 million, representing a decrease of 63% as compared to HK$32.8 million for the previous period and loss attributable to shareholders of HK$51.9 million (2011: profit of HK$60.5 million). The basic loss per share for the period was HK$0.10 (2011: earnings per share of HK$0.12).

The Directors do not recommend the payment of any interim dividend to the shareholders (2011: Nil).

BUSINESS OPERATION

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

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

Review of the Group's business operations

The Group's revenue comes from its B-to-C consumer services operation. The operation's business model is oriented around scale; growth; cash flow and outlets of distribution and settlement. During the interim period, the Group continued to operate a B-to-C consumer service business in Shandong Province, the 2nd largest provincial mobile top-up market in China, which has continued to consolidate its market share in mobile top-up distribution and develop a growing distribution network of almost 28,000 POS-enabled retail outlets as of the date hereof.

Directors would like to report that the operation of the Group's consumer services business in Shandong remained steady as compared with the same period in 2011.

Review of the Group's financial distress

As of the date, the Group's listing entity China HealthCare Holdings Ltd. ("CHC" or "HoldCo"), as the Group's ultimate holding company, continued to be insolvent due to its obligations of the convertible bond (the "CB") of outstanding principals of about US$5.00 million and the redeemable convertible preference shares of outstanding principal US$15 million (the "RCPS").

Having experimented with various ways and means to find a solution to the HoldCo's solvency problem over the previous financial years, the directors consider that a solution would necessarily require injection of substantial external resources, and in practice the Group has to bring in viable asset(s) and/or project(s) to enable a restructuring of its defaulted financial obligations. On or around 19 August 2010, Wingames Investments Limited ("Wingames"), an indirectly wholly-owned subsidiary of the Company, entered into the agreement (the "Agreement") with Mascot Land Limited ("Procurer"), China Zhongfu Industry Co., Ltd. ("China Zhongfu"), Shanghai Zhongfu International Trading Co., Ltd. ("Shanghai Zhongfu"), Anhui Anhe Investment Consulting Co., Ltd. ("Anhui Anhe"), Mr. Wang Ji Sheng and Mr. Ge Qian Song (the "Management Guarantors") (collectively known as "Guarantors"), being the independent third parties, to acquire equity interests of in Shanghai Fu Shou Yuan Industrial Development Co., Ltd. and its affiliated entities, for a total consideration of HK$3,360 million by way of a very substantial acquisition (the "VSA"), details of which have been set out in the Company's circular dated 23 February 2011. The VSA transaction, however, has become the subject of legal proceedings with Wingames and the Company as the plaintiffs and the other sides as the defendants since 31 May 2011, with details as disclosed in a series of announcements since 3 June 2011.

As such and despite the Company's unsuccessful exercise of the VSA above, the directors have continued to make every best effort in working with relevant stakeholders to bring viable asset(s) and/or project(s) into the Group to solve its solvency problem.

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

FUTURE PROSPECT

While the Group's HoldCo is facing financial distress which has ongoing negative impacts on the Group's operating activities, the Group is making every best effort, and at the same time looking forward to the support and cooperation of our shareholders; stakeholders and business partners, to work out a satisfactory solution to HoldCo's solvency problem.

Liquidity and Financial Resources

As at 30 September 2012, the total assets of the Group is approximately HK$252.1 million and net current liabilities of approximately HK$200.1 million, representing a current ratio of 0.55 (31 March 2012: 0.67). At the balance sheet date, the total borrowings of the Group amounted to approximately HK$418.2 million (31 March 2012: HK$343.40 million), represented by interest-bearing loans from a director and a shareholder, convertible bonds and redeemable convertible cumulative preference shares. The gearing ratio of the Group as at 30 September 2012 is (1.40) (31 March 2012: (1.45)), which was calculated on an amount of shareholders' equity of approximately HK$(298.1 million) (31 March 2012: HK$(236.1 million)).

Contingent Liabilities

As at 30 September 2012, there was no contingent liability of the Group.

Charge on Group's assets

As at 30 September 2012, there was no other charge on the Group's assets.

Human Resources

As at 30 September 2012, the Group employed 50 (31 March 2012: 52) employees.

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

Purchase, Sale or Redemption of Listed Securities

During the period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Corporate Governance

The Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six-month period ended 30 September 2012, except for the following:–

Under the A.4.1 of the Code, the independent non-executive directors should be appointed for a specific term, subject to re-election. Currently, none of the three independent non-executive directors is appointed for a specific term, but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Bye-laws.

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards as set out in the Model Code during the period.

Audit Committee

The Company's audit committee comprises three independent non-executive directors. Its terms of reference have been modified to incorporate certain provisions with reference to the Appendix 14 of the Listing Rules. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim financial statements for the six months ended 30 September 2012.

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

Hong Kong, 30 November 2012

As at the date of this announcement, the board of directors of the Company comprises two executive directors, namely Dr. Li Zhong Yuan and Mr. Zhou Bao Yi; one non-executive director, namely Mr. Martin Treffer; and three independent non-executive directors, namely Mr. Mu Xiangming, Mr. Jiang Bo and Dr. Yan Shi Yun.