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

(Incorporated in Bermuda with limited liability)

(Stock Code: 673)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The board (the "Board") of directors (the "Directors") of China HealthCare Holdings Limited (the "Company") announced the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2015 together with the comparative figures for the corresponding year ended 31 March 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
Revenue	*6*	**37,823**	37,720
Cost of services		**(30,297)**	(27,136)
Gross profit		**7,526**	10,584
Other income	*7*	**455**	123
Selling and distribution expenses		**(872)**	(9,269)
Administrative expenses		**(30,879)**	(37,156)
Finance costs	*8*	**(44,461)**	(65,937)
Impairment loss of intangible assets		**–**	(41,614)
Extinguishment of liability component of redeemable convertible cumulative preference shares	*17*	**–**	35,692
Fair value loss on derivative component of redeemable convertible cumulative preference shares	*17*	**–**	(571)
LOSS BEFORE TAX	*9*	**(68,231)**	(108,148)
Income tax	*10*	**(432)**	(598)
LOSS FOR THE YEAR		**(68,663)**	(108,746)

	Notes	For the year ended 31 March **2015** *HK$'000*	2014 *HK$'000*
Attributable to:			
Owners of the Company		**(55,926)**	(67,570)
Non-Controlling interests		**(12,737)**	(41,176)
		(68,663)	(108,746)
LOSS PER SHARE	*11*		
Basic		**(5.8)**	(10.9)
Diluted		**(5.8)**	(10.9)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(68,663)**	(108,746)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**158**	1,311
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(68,505)**	(107,435)
Attributable to:		
Owners of the Company	**(55,865)**	(67,375)
Non-controlling interests	**(12,640)**	(40,060)
	(68,505)	(107,435)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**62**	469
Goodwill		**742**	742
Intangible assets	*12*	**–**	–
Financial assets		**–**	1,579
Other receivables	*14*	**–**	1,512
Total non-current assets		**804**	4,302
CURRENT ASSETS			
Trade receivables	*13*	**76,199**	55,313
Prepayments, deposits and other receivables	*14*	**94,399**	124,592
Available-for-sale financial assets		**1,896**	–
Restricted bank balances		**4,730**	5,727
Cash and bank balances		**96,599**	20,951
Total current assets		**273,823**	206,583
CURRENT LIABILITIES			
Trade payables	*15*	**10,312**	13,894
Other payables and accrued expenses		**32,072**	32,506
Amounts due to directors		**2,500**	506
Interest-bearing loans from a director and a shareholder		**552**	552
Liability component of convertible bonds	*16*	**51,284**	49,635
Liability component of redeemable convertible cumulative preference shares	*17*	**43,857**	130,686
Tax payables		**3,309**	2,881
Preference shares dividend payable of a subsidiary		**86,149**	72,757
Promissory note		**8,000**	8,000
Total current liabilities		**238,035**	311,417
NET CURRENT ASSETS/(LIABILITIES)		**35,788**	(104,834)
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,592**	(100,532)
NET ASSETS/(LIABILITIES)		**36,592**	(100,532)

		As at 31 March	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*18*	**68,329**	63,329
Reserves		**(60,176)**	(204,940)
		8,153	(141,611)
Non-controlling interests		**28,439**	41,079
TOTAL EQUITY		**36,592**	(100,532)

Notes:

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and principal place of business is located at Unit 801, 8/F., China Insurance Group Building, 141 Des Voeux Road Central, Hong Kong.

The principal activity of the Company is investment holding, the principal activities of its subsidiaries are engaged in the provision of B-to C consumer services, healthcare services and distribution of cooling system.

2. BASIS OF PRESENTATION

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the following:

The Group incurred a net loss of approximately HK$68,663,000 during the year ended 31 March 2015.

These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Nevertheless, these consolidated financial statements have been prepared on a going concern basis.

The Group has been in the active process of explore new business, and meanwhile implementing stringent cost control measure to further improve the liquidity position of the Group. Under these circumstances, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2015 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to made to write down the value of assets to their recoverable amounts, to provide for future liabilities which might arise and to reclassify non-current assets and non-current liabilities to current respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is different from the functional currency of the Company, Renminbi ("RMB"). As the Company is listed in Hong Kong, the Directors consider that it is appropriate to present the consolidated financial statements in HK$. The majority of the Company's subsidiaries are operating in the People's Republic of China (the "PRC") with RMB as their functional currency.

4. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation issued by the Hong Kong Institute of Certified Public Accountants.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

Except for as described below, the application of the above new or revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management service;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investments entities.

The Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 April 2014), the application of the amendments has had no impacts on the disclosures or the amounts recognised in the Group's consolidated financial statements.

(b) New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[3]

[1] Effective for accounting periods beginning on or after 1 July 2014
[2] Effective for accounting periods beginning on or after 1 July 2014 with limited exceptions
[3] Effective for accounting periods beginning on or after 1 January 2016
[4] Effective for first annual financial statements beginning on or after 1 January 2016
[5] Effective for accounting periods beginning on or after 1 January 2017
[6] Effective for accounting periods beginning on or after 1 January 2018

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting. Another revision version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Under HKFRS 9, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may take an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in fair value of the financial liabilities designated as at fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types on hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedge accounting. In additions, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may have a significant impact on the amounts reported in respect of the Group's financial assets (e.g. (i) the Group's investments in unlisted equity securities, listed and unlisted debt securities that are currently classified as available-for-sale financial assets may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss; and (ii) unlisted convertible debt securities of which the host contract currently classified as available-for-sale financial assets while the embedded derivative currently classified as financial assets at fair value through profit or loss, may have to be measured at fair value at the end of subsequent reporting entirely, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

5. OPERATING SEGMENT INFORMATION

The Group's operating segments, based on information reported to the Directors being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performance focus on types of goods or services delivered or provided.

For management purposes the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

– B-to-C consumer services;
– Healthcare service; and
– Distribution of cooling system.

Segment assets excluded available-for-sale financial assets and other corporate assets as these assets are managed on a group basis.

Segment liabilities excluded interest-bearing loans from a director and a shareholder, amounts due to directors, liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares, promissory note, preference shares dividend payable of a subsidiary and other corporate liabilities as these liabilities are managed on a group basis.

The following is an analysis of the Group's revenue and results by operating segment for the year ended 31 March 2015 and 2014:

	B-to-C Consumer Service		Healthcare service		Distribution of cooling system		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue								
Revenue from external customers	**14,877**	20,568	**22,946**	17,152	**–**	–	**37,823**	37,720
Segment results	**(4,071)**	(13,372)	**1,464**	1,595	**(3)**	(50,559)	**(2,610)**	(62,336)
Reconciliation:								
Interest income and unallocated income							**455**	35,815
Corporate and other unallocated expenses							**(21,615)**	(15,690)
Finance costs unallocated							**(44,461)**	(65,937)
Loss before tax							**(68,231)**	(108,148)
Depreciation and amortisation	**343**	940	**–**	–	**–**	8,917	**343**	9,857
Reconciliation:								
Unallocated depreciation and amortisation							**136**	81
							479	9,938

The following table is an analysis of the Group's assets and liabilities and other segment information for the years ended 31 March 2015 and 2014:

	B-to-C consumer service		Healthcare service		Distribution of cooling system		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
SEGMENT ASSETS	**97,894**	81,433	**11,857**	6,108	**93**	–	**109,844**	87,541
Corporate and other unallocated assets							**164,783**	123,344
Total assets							**274,627**	210,885
SEGMENT LIABILITIES	**16,660**	24,983	**9,452**	4,809	**102**	2	**26,214**	29,794
Corporate and other unallocated liabilities							**211,821**	281,623
Total liabilities							**238,035**	311,417

Geographical information

For the years ended 31 March 2015 and 2014, the Group's operations and its non-current assets are principally located in the PRC, accordingly no geographical segment information is presented.

Information about major customers

During the year ended 31 March 2015, the Group had transactions with 2 (2014: 2) customers who contributed over 10% of the Group's total net revenue, which is summarised below:

	Year ended 31 March	
	2015	2014
	HK$'000	*HK$'000*
Customer 1	**14,877**	20,568
Customer 2	**22,576**	16,937
	37,453	37,505

6. REVENUE

Revenue, which is also the Group's turnover, represented the commission income earned from provision of B-to-C consumer service and the income from provision of healthcare service. An analysis of revenue is as follows:

	2015	2014
	HK$'000	*HK$'000*
Commission income earned from provision of B-to-C consumer service	**14,877**	20,568
Income from provision of healthcare service	**22,946**	17,152
	37,823	37,720

7. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Gain on investment	**160**	–
Gain on disposal of property, plant and equipment	**235**	–
Interest income	**60**	123
	455	123

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	HK$'000	*HK$'000*
Dividend payable to convertible preference share issued by a subsidiary	**13,392**	13,392
Interests on loans from a director and a shareholder	**–**	99
Effective interest expenses on convertible bonds wholly repayable within five years	**1,649**	1,571
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**29,420**	50,875
	44,461	65,937

9. LOSS BEFORE TAX

Loss before tax is arrived at after charging the following:

	2015	2014
	HK$'000	*HK$'000*
Auditor's remuneration	**730**	700
Depreciation of property, plant and equipment	**479**	1,021
Amortisation of intangible asset	**–**	8,917
Rental expenses in respect of office premises	**998**	759
Staff costs (including directors' emoluments)		
– Salaries, wages, and other benefits	**6,541**	5,766
– Contributions to defined contribution retirement plans	**479**	333
Loss on embedded derivative upon redemption of redeemable convertible cumulative preference shares	**1,579**	–

10. INCOME TAX

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

Subsidiaries established in PRC are subject to the PRC enterprise income tax at the standard rate of 25% (2014: 25%).

	2015	2014
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**432**	598

11. LOSS PER SHARE

	2015	2014
	HK$'000	*HK$'000*
Loss attributable to owners of the Company, used in the basis loss per share calculation:	**(55,926)**	(67,570)

Number of shares	**2015**	2014
	'000	*'000*
Weighted average number of ordinary shares in issue during the year	**971,783**	622,018

(a) Basic loss per share

For the year ended 31 March 2015, the calculation of basic loss per share amount is based on the net loss for the year of HK$55,926,000 (2014: HK$67,570,000) attributable to the equity holders of the Company, and weighted average of approximately 971,783,000 (2014: approximately 622,018,000) ordinary shares in issue during the year.

(b) Diluted loss per share

For the year ended 31 March 2015 and 2014, the convertible financial instruments had an anti-dilutive effect on the basic loss per share and were ignored in the calculation of diluted loss per share. Accordingly, no diluted loss per share has been presented.

12. INTANGIBLE ASSETS

Intangible assets represents the exclusive distribution right for selling cooling systems in the PRC which was acquired through the acquisition of Anew Capital Limited during the year ended 31 March 2013 for a total consideration of HK$50 million, which was satisfied by issuance of 100,000,000 consideration shares and HK$18 million by the issuance of the promissory note.

Due to highly uncertainty of government policy and market condition, the carrying amount of approximately HK$41,614,000 has been fully impaired and recognised in the profit or loss for the year ended 31 March 2014.

13. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**76,199**	55,313

The Group's credit policies for each of its principal activities are as follow:

(i) Provision of B to C consumer services pre-charge are with credit terms of 180 days.

(ii) Provision of healthcare service are with credit terms of 90 days.

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**2,657**	3,540
1 to 3 months	**5,336**	8,616
Over 3 months	**68,206**	43,157
	76,199	55,313

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Other receivables *(note (i)(ii))*	**60,620**	93,874
Less: Non-current portion of other receivables	**–**	(1,512)
	60,620	92,362
Deposits *(note (iii))*	**32,175**	32,140
Prepayments	**1,604**	90
Current portion of prepayments, deposits and other receivables	**94,399**	124,592

Notes:

(i) As at 31 March 2015, approximately RMB41,437,000 (equivalent to approximately HK$52,368,000) were amounts due from the disposed subsidiaries.

As at 31 March 2014, approximately RMB69,315,000 (equivalent to approximately HK$87,316,000) were amounts of sales proceeds of and due from the disposal subsidiaries.

(ii) Approximately HK$6,203,000 with respect to a secured loan of RMB8,000,000 granted by the Group to an independent third party pursuant to a loan agreement dated 26 July 2011, the loan is interest-free and repayable within 5 years. The Group engaged a lawyer to recover the loan. The amount was past due but not impaired.

(iii) Approximately RMB25,000,000 (equivalent to approximately HK$31,595,000) were deposit for customer services.

Save as disclosed in note (ii), none of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which no recent history of default.

15. TRADE PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**1,869**	13,216
1 to 3 months	**2,725**	678
Over 3 months	**5,718**	–
	10,312	13,894

The trade payables are non-interest-bearing and normally settled from 30 to 60 day terms.

16. LIABILITY COMPONENT OF CONVERTIBLE BONDS

Liability component of convertible bonds comprise of the following:

	2015	2014
	HK$'000	*HK$'000*
Principal amount	**42,042**	42,042
Interest payable	**7,972**	6,718
Charge on interest overdue	**1,270**	875
	51,284	49,635

17. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

On 28 July 2006, the Company entered into a preference share agreement ("Original Agreement") and issued 15,000 Preference Shares ("PS") of US$0.01 each for a total cash consideration of US$15,000,000 (approximately HK$117,000,000). The PS holder is entitled to 2% dividend per annum or 5% compounded semi-annually subject to occurrence of special events as defined in the Original Agreement. Such maturity date is falling on the 5th anniversary of 28 July 2006 (i.e. 27 July 2011) or such later date ("conversion period"), but not later than the 7th anniversary of which the specific terms will be subjected to future agreement. An option embedded therein was granted to the PS holder that the preference shares could be converted at any time during the conversion period at the lower of HK$0.3201; and 0.9 times of the volume-weighted average price of the Company's ordinary shares for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice; such redemption amount shall include a markup of 20% per annum on the sum of principal and accumulated dividend payable at any early redemption date.

On 24 November 2012, the Company entered into a supplementary agreement ("Modification Agreement") with the PS holder pursuant to which, the Company agreed to use its best endeavors to procure the fund raising to raise not less than US$15 million (or its HK$ equivalent) in net proceeds for the Company, of which US$15 million (or its HK$ equivalent) shall be applied to redeem the Preference Shares, on or before the 31 March 2013. Meanwhile, PS Holder agreed that it would not require the Company to redeem the Preference Shares nor would it exercise its conversion rights attached to all or any part of the Preference Shares at any time before 31 March 2013.

Subject to completion of the Fund Raising, the Company will redeem, and PS holder will accept the redemption of, all of the Preference Shares and in full and final settlement of all rights that PS Holder may have in respect of the Preference Shares whether under the Bye-laws of the Company or otherwise 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.

On 31 March 2013, the Company has further revised the Modification Agreement by entering into a supplementary agreement ("Supplementary Agreement") with the PS holder. Pursuant to which, the Company shall redeem, and PS holder shall accept to extend the date of full and final settlement on or before 30 November 2013. In addition, the Supplementary Agreement specifically granted a conversion right to the Company that the sum of accumulated dividend payable from 1 December 2012 to 30 November 2013 is eligible to be settled by procuring ordinary shares of the Company at a predetermined price of HK$0.3201 or by cash at the date of maturity.

On 28 June 2013, the Company and the PS holder entered into an amendment agreement to the Supplementary Agreement of the Preference Shares Agreement dated 31 March 2013 (the "Amendment Agreement").

Pursuant to the Amendment Agreement, the final settlement date to redeem the Preference Shares is extended from 30 November 2013 to 30 June 2014 provided that a non-refundable deposit of HK$10 million (the "Deposit") will be made to the PS holder before or by 29 June 2013 and the PS holder shall have the right to forfeit the Deposit if the redemption of the Preference Shares does not take place on or before 30 November 2013.

The calculation and settlement of the dividends of the Preference Shares from 1 December 2013 to 30 June 2014 shall be 6% per annum and the Company shall have the right to settle by way of share issuance of shares to the PS holder at a pre-determined price of HK$0.3201 per share.

Since the terms of the Modification Agreement, Supplementary Agreement and Amendment Agreement were different from the Original Agreement, hence, the financial liability are extinguished. The valuations were carried out by an independent qualified professional valuation firm not connected to the Group.

On 30 June 2014, the Company and the PS holder entered into a supplementary agreement to the Amendment Agreement of the Preference Shares Agreement dated 28 June 2013 (the "Supplementary Agreement 2014"). Pursuant to the Supplementary Agreement 2014, subject to the completion of the subscription agreement of the convertible note dated 3 June 2014 (the "Subscription of Convertible Note") as announced on 3 June 2014, the Company should redeem the PS principal in 5 days after the completion of the Subscription of Convertible Note, and settle all dividends. Should the company fail to complete the Subscription of Convertible Note, the settlement date to redeem the PS is further extended to 31 March 2015. Pursuant to the Supplementary Agreement 2014, the calculation and settlement of the dividends of the PS shall be:

(1) US$4 million from 28 July 2006 to 30 November 2012 (the "Dividend I"), which shall be settled by promissory notes issued by the Company;

(2) 5% per annum from 1 December 2012 to 30 November 2013 (the "Dividend II"), for which the Company shall have the right to settle by way of issuance of shares to the PS holder at a pre-determined price of HK$0.25 per share;

(3) 6% per annum from 1 December 2013 to 30 June 2014 (the "Dividend III"), for which the Company shall have the right to settle by way of issuance of shares to the PS holder at a pre-determined price of HK$0.25 per share; and

(4) 7% per annum from 1 July 2014 to 31 March 2015 (the "Dividend IV"), for which the Company shall have the right to settle by way of issuance of shares to the PS holder at a pre-determined price of HK$0.15 per share.

On 8 January 2015, the Company has issued the convertible note in principal amount of HK$195,000,000, the Company redeemed the PS principal accordingly.

(i) Liability component

	2015	2014
	HK$'000	*HK$'000*
At the beginning of the year	**130,686**	115,503
Interest charged for the year	**29,420**	50,875
Extinguishment of financial liability charged to profit or loss	**–**	(35,692)
Redemption	**(116,249)**	–
At the end of the year	**43,857**	130,686

The fair value of the liability component of preference shares is determined using the discounted cash flow model ("DCF") with reference to the parameters as follows:

	Modification Agreement	**Supplementary Agreement**	**Amendment Agreement**
Effective interest rates	53.34%	48.81%	58.14%
Year	0.35	0.67	0.26
Dividend	semi-annual	semi-annual	semi-annual
Dividend per annum	5%	5%	6%

(ii) Embedded derivative

	2015	2014
	HK$'000	*HK$'000*
At the beginning of the year, asset	**(1,579)**	(2,150)
Fair value change charged to profit or loss	**–**	571
Redemption of principle	**1,579**	–
At the end of the year, asset	**–**	(1,579)

The fair value of the embedded derivative of preference shares is determined using the Black Scholes Option Pricing Model with reference to the parameters as follows:

	Supplementary Agreement 2014
Time to maturity	0.27
Risk free rate	0.09%
Volatility	64.36%
Strike price	HK$0.25 and HK$0.15
Spot price	HK$0.265

18. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Authorised:		
Ordinary shares of HK0.1 each		
1 April 2013, 31 March 2014, 1 April 2014 and 31 March 2015	100,000,000,000	10,000,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each		
At 1 April 2013	603,259,665	60,326
Issue of loan share upon loan capitalisation *(note i)*	30,030,030	3,003
At 31 March 2014	633,289,695	63,329
Subscription of share *(note (ii)*	50,000,000	5,000
At 31 March 2015	**683,289,695**	**68,329**

Notes:

(i) On 15 August 2013, the Company capitalised the principal amount of HK$10 million of promissory note by means of issuing and allotting the 30,030,030 ordinary shares to the promissory note holder.

(ii) On 23 May 2014, the Company and the subscribers, independent third parties, entered into subscription agreements to subscribe an aggregate of 50,000,000 shares of the Company, at HK$0.212.

19. POST BALANCE SHEET EVENTS

(i) On 22 April 2015, an aggregate of 136,657,939 shares of the Company were successfully allotted and issued under general mandate. The net proceed of approximately HK$38,114,000 were used for general working capital of the Group.

(ii) On 22 April 2015 and 5 May 2015, the noteholders of the convertible note have exercised their rights to convert HK$184,550,000 and HK$10,450,000 of the outstanding principal amount of the convertible note into conversion shares at the conversion price of HK$0.15 per conversion share respectively. An aggregate of 1,230,333,333 and 69,666,667 conversion shares, were allotted and issued to the noteholders in accordance with the terms and conditions of the convertible note.

(iii) On 30 April 2015, the purchaser, a wholly-owned subsidiary of the Company, the Company, the procurers and the vendors entered into the framework agreement (the "Framework Agreement") in relation to the possible acquisition for the healthcare management service business and the relevant management service contracts and/or cooperation agreements of five cancer diagnosis and treatment centers in hospitals located in Beijing, Tianjin, Changchun, Jinan and Nanjing at a total consideration of HK$1,325 million. The major terms of the Framework Agreement were summarized in announcement of the Company dated 30 April 2015. The long stop date of the Framework Agreement has been extended to 30 August 2015.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditors' report on the Group's annual audited financial statements for the year ended 31 March 2015. The report includes an emphasis of matter, without qualification.

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2015, and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to note 2 to the consolidated financial statements, which states that the Group incurred a net loss of approximately HK$68,663,000 during the year ended 31 March 2015. Such condition, along with other matters as set forth in note 2, indicates the existence of a significant uncertainty that may cast significant doubt about the Group's ability to continue as a going concern."

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2014: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2015, the Group reported a turnover of approximately HK$37.8 million, representing an increase of 0.3% as compared to HK$37.7 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$55.9 million as compared to net loss of approximately HK$67.6 million for the previous financial year. Basic loss per share for the year was HK5.8 cents (2014: HK10.9 cents).

Review of Business Operation

During the year, the Group's revenue was primarily derived from the provision of healthcare and third party administration services. Facing the huge demand for medical services, the Group proactively explored the relevant business and achieved desirable results, with a year-on-year increase of 34% in the revenue from the healthcare and third party administration services.

As a value added service provider to telecom operators in China, the Group continued to provide B-to-C consumer service during the year. With the increasingly intensified competition in the industry, the commission income from these services decreased dramatically.

Financial Position

During the year, the Company successfully raised over HK$200 million by issuance of 50,000,000 new shares and issuance of the convertible notes with a par value of HK$195 million ("Convertible Notes"). Subsequent to the balance sheet date, the Company successfully raised approximately HK$38 million by further allotment of new shares.

As of the date of this announcement, the Convertible Notes had been fully converted into the ordinary shares of the Company, and the issued share capital of the Company increased to 2,119,947,634 shares.

The financial position of the Group was significantly improved by introducing external financial resources. During the year, the Group settled the outstanding principal amount of US$15,000,000 of the redeemable convertible preference shares. Subsequent to the balance sheet date, most of the convertible bonds with outstanding principal amount of approximately US$5,000,000 and most of the interest thereof were settled. And most of the interest of US$15,000,000 of the redeemable convertible preference shares were settled.

Future Prospect

During the year, the Group has achieved substantial progress in exploring healthcare management services, introducing new shareholders, settling debts and strengthening our management team. Looking to the coming year, the Group will stride to implement the published acquisition and fundraising plans and actively explore new business, so as to boost the leaping development of the Company's business.

Liquidity and Capital Resources

As at 31 March 2015, the Group's cash and cash equivalents amounted to approximately HK$101.3 million (2014: HK$26.7 million), where about HK$4.7 million (2014: HK$5.7 million) is in its subsidiary Harvest Network Ltd. ("Harvest") and its use is restricted for Harvest's working capital and other purpose only.

As at 31 March 2015, the current assets and net current assets of the Group are approximately HK$273.8 million (2014: HK$206.6 million) and HK$35.8 million (2014: net current liabilities of HK$104.8) respectively, representing a current ratio of 1.15 (2014: 0.66).

On 23 May 2014, the Company and certain independent third parties entered into subscription agreements to subscribe an aggregate of 50,000,000 shares of the Company at HK$0.212 per share. In June 2014, the subscriptions were completed raising net proceeds of HK$10.4 million (equivalent to HK$0.208 per share) which have been used as general working capital for the Group.

On 3 June 2014, the Company, Lin & Li Investment Limited (as the subscriber) and Mr. Lin Grant Xiao-Bin (as the guarantor) entered into the subscription agreement to subscribe for the zero coupon convertible note at the initial conversion price of HK$0.15 per share (subject to adjustments) in principal amount of HK$195,000,000. The convertible notes were issued on 8 January 2015 raising net proceeds of approximately HK$194,500,000 (equivalent to HK$0.149 per share) which have been used for general working capital and/or settlement of outstanding liabilities of the Group. All convertible notes were converted into 1,300,000,000 conversion shares in April and May 2015.

According to the subscription agreements dated 8 April 2014 entered into between the Company and two subscribers, the supplemental agreements entered on 30 September 2014, the second supplemental agreements entered on 30 January 2015, the third supplemental agreements entered on 30 April 2015 and the fourth supplemental agreements entered on 30 June 2015, the Company has conditionally agreed to issue, and the subscribers have conditionally agreed to subscribe for, the convertible notes of an aggregated principal amount of HK$225,000,000 at the initial conversion price of HK$0.15 per share (subject to adjustments). The Company has further agreed to grant the options to the subscribers, pursuant to which, the subscribers have the right to request the Company to issue the option convertible notes with a maximum aggregate principal amount of HK$225,000,000 to them. The fulfillment of the subscription conditions have been extended to 30 August 2015 and therefore subscription has not been completed as at the date of this announcement. For details, please refer to the Company's announcements dated 8 April and 30 September 2014 and 30 January, 30 April 2015 and 30 June 2015.

The Group's total borrowings which represented liability component of convertible bonds, liability component of redeemable convertible cumulative preference shares and promissory note as at 31 March 2015 amounted to about HK$103.1 million (2014: HK$188.3 million).

On this basis, the gearing ratio is calculated at 12.65 (2014: (1.33)), based on an amount of shareholders' equity of HK$8,153,000 (2014: deficits of HK$141,611,000).

Possible acquisition of medical projects

On 30 September 2014, the Group entered into the framework agreement (the "2014 Framework Agreement") with certain independent third parties targeting to acquire the assets and operating rights of a general hospital and nine treatment centers in Mainland China at a total consideration of HK$2,380 million. As there were fundamental changes on the terms of the possible acquisition contemplated under the 2014 Framework Agreement, the parties to the 2014 Framework Agreement agreed to terminate the 2014 Framework Agreement on 30 April 2015.

Subsequent to termination of 2014 Framework Agreement, on 30 April 2015, the Group entered into the framework agreement (the "2015 Framework Agreement") in relation to the possible acquisition for the healthcare management service business and the relevant management service contracts and/or cooperation agreements of five cancer diagnosis and treatment centers in hospitals located in Beijing, Tianjin, Changchun, Jinan and Nanjing at a total consideration of HK$1,325 million (subject to adjustments as set out in the 2015 Framework Agreement). The long stop date of the 2015 Framework Agreement has been extended to 30 August 2015.

Details of the above were set out in the announcements of the Company dated 30 September 2014, 28 November 2014, 30 January 2015, 16 March 2015, 30 April 2015 and 30 June 2015.

Contingent Liabilities

As at 31 March 2015, there were no contingent liabilities of the Group (2014: nil).

Charge on Group's Assets

As at 31 March 2015, there was no charge on the Group's assets (2014: nil).

Employees and Remuneration Policy

As at 31 March 2015, the Group employed 77 (2014: 65) staff members. Total staff cost including Directors' emoluments was HK$7.0 million as compared to HK$6.1 million for the previous year.

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group. No share option was granted nor exercised during the year. There were 5,970,000 outstanding share options as at 31 March 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2015.

CODE OF CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, the Company has complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rule throughout the year, except for the below deviation:

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

The Company has adopted the Model Code (Appendix 10 to the Listing Rules) as its own code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors declared that they have complied with the Model Code throughout the year.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

REVIEW OF ANNUAL RESULTS

The Group's Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters including the review of the Group's audited results for the year ended 31 March 2015.

The figures in respect of the Group's announcement of annual results have been agreed by the Group's auditors, Elite Partners CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 March 2015.

PUBLICATION OF RESULTS ANNOUNCEMENT

The information as required by Appendix 16 of the Listing Rules will be published on the Stock Exchange's website (http://www.hkex.com.hk) and the Company's website (www.chc673.com) in due course.

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

Hong Kong, 30 June 2015

As at the date of this announcement, the board of directors of the Company comprises Mr. Jia Hong Sheng (Chairman), Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Chung Ho and Mr. Wang Jingming, all of whom are executive directors; and Mr. Mu Xiang Ming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua, all of whom are independent non-executive directors.

* *For identification purpose only*