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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)

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

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 2015. These unaudited condensed consolidated 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 2015**

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2015</b>	<b>2014</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	5	<b>23,144</b>	20,906
Cost of services		<b>(18,225)</b>	(14,790)
Gross profit		<b>4,919</b>	6,116
Other gain		<b>486</b>	343
Selling and distribution expenses		<b>(5,012)</b>	(3,146)
Administrative expenses		<b>(22,015)</b>	(11,440)
Finance costs	6	<b>(7,283)</b>	(35,998)
Fair value loss on derivative component of redeemable convertible cumulative preference shares		<b>—</b>	(478)
<b>LOSS BEFORE TAX</b>	7	<b>(28,905)</b>	(44,603)
Income tax	8	<b>(128)</b>	(107)
<b>LOSS FOR THE PERIOD</b>		<b>(29,033)</b>	(44,710)

\* For identification purpose only

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<u>(2,082)</u>	<u>84</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF INCOME TAX OF NIL</b>	<u><b>(2,082)</b></u>	<u>84</u>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u><b>(31,115)</b></u>	<u>(44,626)</u>
Loss for the period attributable to:		
Owners of the Company	(23,812)	(42,080)
Non-controlling interests	<u>(5,221)</u>	<u>(2,630)</u>
	<u><b>(29,033)</b></u>	<u>(44,710)</u>
Total comprehensive loss for the period attributable to:		
Owners of the Company	(25,356)	(42,047)
Non-controlling interests	<u>(5,759)</u>	<u>(2,579)</u>
	<u><b>(31,115)</b></u>	<u>(44,626)</u>
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
	9	
Basic and diluted:		
– For loss for the period (HK cents)	<u><b>1.23</b></u>	<u>6.4</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2015**

	<i>Notes</i>	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		8	62
Goodwill		742	742
Other receivables	<i>11</i>	<u>18,258</u>	–
Total non-current assets		<u>19,008</u>	<u>804</u>
<b>CURRENT ASSETS</b>			
Trade receivables	<i>10</i>	86,891	76,199
Prepayments, deposits and other receivables	<i>11</i>	86,221	94,399
Available-for-sale financial assets		–	1,896
Restricted bank balances		11,757	4,730
Cash and bank balances		<u>18,534</u>	<u>96,599</u>
Total current assets		<u>203,403</u>	<u>273,823</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>12</i>	8,987	10,312
Other payables and accrued expenses		29,791	32,072
Amounts due to directors		3,633	2,500
Interest-bearing loans from a director and a shareholder		552	552
Liability component of convertible bonds	<i>13</i>	8,720	51,284
Liability component of redeemable convertible cumulative preference shares	<i>14</i>	–	43,857
Income tax payables		3,248	3,309
Preference shares dividend payable of a subsidiary		92,845	86,149
Promissory note		<u>30,894</u>	<u>8,000</u>
Total current liabilities		<u>178,670</u>	<u>238,035</u>
NET CURRENT ASSETS		<u>24,733</u>	<u>35,788</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>43,741</u>	<u>36,592</u>
NET ASSETS		<u>43,741</u>	<u>36,592</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	<i>15</i>	211,995	68,329
Reserves		<u>(190,934)</u>	<u>(60,179)</u>
Non-controlling interests		<u>21,061</u>	<u>8,153</u>
		<u>22,680</u>	<u>28,439</u>
TOTAL EQUITY		<u>43,741</u>	<u>36,592</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000	Statutory reserves HK\$'000	Convertible bonds reserve HK\$'000	Foreign currency translation reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity/ (Deficiency in assets) HK\$'000
At 1 April 2014 (Audited, as restated)	63,329	326,331	57,124	1,047	3,592	15,574	1,656	(610,264)	(141,611)	41,079	(100,532)
Loss for the period	-	-	-	-	-	-	-	(42,080)	(42,080)	(2,630)	(44,710)
Other comprehensive income for the period	-	-	-	-	-	33	-	-	33	51	84
Total comprehensive income/(loss) for the period	-	-	-	-	-	33	-	(42,080)	(42,047)	(2,579)	(44,626)
Issue of loan share upon loan capitalization	5,000	5,629	-	-	-	-	-	-	10,629	-	10,629
At 30 September 2014 (Unaudited)	<u>68,329</u>	<u>331,960*</u>	<u>57,124*</u>	<u>1,047*</u>	<u>3,592*</u>	<u>15,607*</u>	<u>1,656*</u>	<u>(652,344)*</u>	<u>(173,029)</u>	<u>38,500</u>	<u>(134,529)</u>
At 1 April 2015 (Audited)	68,329	331,960	57,124	1,047	198,592	15,635	1,656	(666,190)	8,153	28,439	36,592
Loss for the period	-	-	-	-	-	-	-	(23,812)	(23,812)	(5,221)	(29,033)
Other comprehensive loss for the period	-	-	-	-	-	(1,544)	-	-	(1,544)	(538)	(2,082)
Total comprehensive loss for the period	-	-	-	-	-	(1,544)	-	(23,812)	(25,356)	(5,759)	(31,115)
Subscription of shares	13,666	24,598	-	-	-	-	-	-	38,264	-	38,264
Repayment of convertible bonds	-	-	-	-	(3,592)	-	-	3,592	-	-	-
Issue of share upon the conversion of convertible bonds	<u>130,000</u>	<u>65,000</u>	-	-	<u>(195,000)</u>	-	-	-	-	-	-
At 30 September 2015 (Unaudited)	<u>211,995</u>	<u>421,558*</u>	<u>57,124*</u>	<u>1,047*</u>	<u>-*</u>	<u>14,091*</u>	<u>1,656*</u>	<u>(686,410)*</u>	<u>21,061</u>	<u>22,680</u>	<u>43,741</u>

\* These reserve amounts comprise the consolidated deficiency in reserves of approximately HK\$190,934,000 (2014: HK\$241,358,000) in the consolidated statement of financial position.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
NET CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES	<b>(44,545)</b>	5,013
NET CASH FLOWS GENERATED FROM INVESTING ACTIVITIES	<b>1,896</b>	31
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u><b>(27,722)</b></u>	<u>11,910</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<b>(70,371)</b>	16,954
Effect of foreign exchange rate changes, net	<b>(667)</b>	(45)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u><b>101,329</b></u>	<u>26,678</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><b>30,291</b></u>	<u>43,587</u>
Analysis of cash and cash equivalents:		
Restricted bank balances	<b>11,757</b>	4,594
Cash and bank balances	<u><b>18,534</b></u>	<u>38,993</u>
	<u><b>30,291</b></u>	<u>43,587</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

### 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 Voeux 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 March 2015, 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.

### 3. IMPACT OF NEW AND REVISED HKFRSs

In the Period, the Group has applied the following amendments to HKFRSs and a new interpretation issued by the HKICPA:

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

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

#### 4. 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 organized 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 cash and bank balances except for restricted bank balances and 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, 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 six months ended 30 September 2015 and 2014.

	B-to-C consumer services		Healthcare service		Distribution of cooling system		Total	
	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Segment revenue								
Revenue from external customers	<u>8,811</u>	<u>9,450</u>	<u>14,333</u>	<u>11,456</u>	<u>-</u>	<u>-</u>	<u>23,144</u>	<u>20,906</u>
<b>Segment results</b>	<b><u>(3,093)</u></b>	<b><u>203</u></b>	<b><u>508</u></b>	<b><u>227</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(2,585)</u></b>	<b><u>430</u></b>
Reconciliation:								
Interest income and unallocated gains							<b>486</b>	343
Corporate and other unallocated expenses							<b>(19,523)</b>	(9,378)
Finance costs-unallocated							<b>(7,283)</b>	(35,998)
Loss before tax							<b><u>(28,905)</u></b>	<b><u>(44,603)</u></b>
Depreciation and amortisation	<b>53</b>	196	-	-	-	-	<b>53</b>	196
Reconciliation:								
Unallocated depreciation and amortisation							<b>1</b>	39
							<b><u>54</u></b>	<b><u>235</u></b>

The following tables are an analysis of the Group's assets as at 30 September 2015 and 31 March 2015:

<b>As at 30 September 2015 (Unaudited)</b>				
	<b>B-to-C consumer services HK\$'000</b>	<b>Healthcare service HK\$'000</b>	<b>Distribution of cooling system HK\$'000</b>	<b>Total HK\$'000</b>
SEGMENT ASSETS	<b>139,530</b>	<b>16,367</b>	<b>93</b>	<b>155,990</b>
Corporate and other unallocated assets				<b>66,421</b>
Total assets				<b>222,411</b>

<b>As at 31 March 2015 (Audited)</b>				
	<b>B-to-C consumer services HK\$'000</b>	<b>Healthcare service HK\$'000</b>	<b>Distribution of cooling system HK\$'000</b>	<b>Total HK\$'000</b>
SEGMENT ASSETS	97,894	11,857	93	109,844
Corporate and other unallocated assets				164,783
Total assets				274,627

## 5. 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.

## 6. FINANCE COSTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Effective interest expenses on convertible bonds wholly repayable within five years	<b>587</b>	822
Effective interest expenses on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	–	28,480
Dividend payable to convertible preference share issued by a subsidiary	<b>6,696</b>	6,696
	<b>7,283</b>	35,998



## 7. LOSS BEFORE TAX

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Depreciation of property, plant and equipment	<b>54</b>	235
Interest income	<b>(51)</b>	(31)
	<b><u>54</u></b>	<u>235</u>

## 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% (2014: 25%).

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Current tax – PRC	<b>128</b>	107
	<b><u>128</u></b>	<u>107</u>

## 9. LOSS PER SHARE

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	<b>2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Loss attributable to owners of the Company, used in the basic loss per share calculation	<b>(23,812)</b>	(42,080)
	<b><u>(23,812)</u></b>	<u>(42,080)</u>
<b>Number of shares</b>	<b>2015</b>	<b>2014</b>
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,942,285,660</b>	662,721,389
	<b><u>1,942,285,660</u></b>	<u>662,721,389</u>

For the period ended 30 September 2015 and 30 September 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.

## 10. TRADE RECEIVABLES

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

- (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, is as follows:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Within 1 month	3,304	2,657
1 to 3 months	19,930	5,336
over 3 months	63,657	68,206
	<u>86,891</u>	<u>76,199</u>

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Other receivables ( <i>note (i) and (iii)</i> )	71,976	60,620
Less: Non-current portion of other receivables ( <i>note (iv)</i> )	<u>(18,258)</u>	–
	<u>53,718</u>	<u>60,620</u>
Deposits ( <i>note (ii)</i> )	30,958	32,175
Prepayments	<u>1,545</u>	<u>1,604</u>
Current portion of prepayments, deposits and other receivables	<u>86,221</u>	<u>94,399</u>

*Notes:*

- (i) As at 30 September 2015, approximately RMB21,257,000 (equivalent to approximately HK\$25,874,000) were amounts due from the disposed subsidiaries.
- (ii) Approximately RMB25,000,000 (equivalent to approximately HK\$30,430,000) were deposit for customer services.
- (iii) 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.

- (iv) On 23 July 2015, the Company, the Management Company, a wholly-owned subsidiary of the Company, and the Shuangluan Government entered into the Agreement, pursuant to which the Shuangluan Government has agreed to grant an operating right to the Company for the management and operation of Shuangluan Hospital by the Management Company for a period of 30 years, commencing from 1 August 2015. Meanwhile, the Company has agreed to provide the Loan in an aggregate principal amount of RMB50,000,000 (equivalent to HK\$62,500,000) to Shuangluan Hospital for the purposes of setting up the information technology system, purchasing of equipments and settling the construction fee of Shuangluan Hospital.

On 23 July 2015, Pursuant to the Agreement, the Company has agreed to provide the Loan in an aggregate principal amount of RMB50,000,000 (equivalent to HK\$62,500,000) to Shuangluan Hospital for a term of 3 years, which bears a fixed interest rate of 7% per annum. As at 30 September 2015, The Company has advanced the aggregate amount of RMB 15,000,000 (equivalent to HK\$18,258,000) to Shuangluan Hospital.

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.

## 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:

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
Within 1 month	<b>1,889</b>	1,869
1 to 3 months	<b>7,098</b>	2,725
Over 3 months	–	5,718
	<b><u>8,987</u></b>	<u>10,312</u>

## 13. LIABILITY COMPONENT OF CONVERTIBLE BONDS

On 19 May 2005, the Company issued CB with nominal value of US\$6,600,000 due on 18 May 2009. CB 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. CB 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 CB remain outstanding on the maturity date, the Company will redeem the principal of CB at 100% of their face value.

The effective interest rate of the liability component of CB is 3% per annum.

As at and up to 31 March 2011, CB 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\$4,818,800. There is no repurchase of CB by the Group since 1 April 2011.

On 18 May 2009, CB had matured, however, due to liquidity problem, the Group was unable to redeem CB at maturity. The Group's default in the redemption on CB had triggered the Company's early redemption obligation of CB and PS. Subsequent to the maturity date of CB, the Company reached an understanding with the major holder of CB to conditionally postpone the payment by the Company of the outstanding debts of CB for three years to 17 May 2013 if the Group can fulfil the conditions requested by the major holder of CB, 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 CB upon and after successful injection of substantial external resources.

The 3% interest payables have not been paid since 18 May 2009. According to the terms and conditions of the CB, to the extent that interest is not paid on CB on the interest payment date, interest shall charge thereon from the interest payments date at a default rate of 5% per annum until date of payment.

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

	<b>30 September 2015</b>	31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Carrying amount at the beginning of the period/year	<b>51,284</b>	49,635
Interest charged for the period/year	<b>587</b>	1,649
Repayment	<b>(38,537)</b>	–
Interest paid for the period/year	<b>(4,614)</b>	–
	<u><b>8,720</b></u>	<u>51,284</u>

Liability component of convertible bonds comprise of the following:

	<b>30 September 2015</b>	31 March 2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Principal amount	<b>3,505</b>	42,042
Interest payable	<b>5,215</b>	7,972
Charge of overdue interest	<b>–</b>	1,270
	<u><b>8,720</b></u>	<u>51,284</u>

#### 14. 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% p.a. 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 pre-determined 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 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 PS 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.

On 1 August 2015, the Company has issued the promissory note in principle amount of US\$4,000,000 (equivalent to approximately HK\$30,894,000) to settle balance of Dividend 1. The promissory note is interest-free and repayable on 31 January 2016.

(i) **Liability component**

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
At the beginning of the period/year	43,857	130,686
Interest charged for the period/year	–	29,420
Repayment of interest for the period/year	(12,963)	–
Transfer to promissory note	(30,894)	–
Redemption	–	(116,249)
	<hr/>	<hr/>
At the end of the period/year	–	43,857
	<hr/> <hr/>	<hr/> <hr/>

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:

	<b>Modification Agreement</b>	<b>Supplementary Agreement</b>	<b>Amendment Agreement</b>
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**

	<b>30 September 2015 HK\$'000 (Unaudited)</b>	31 March 2015 HK\$'000 (Audited)
At the beginning of the period/year, asset	–	(1,579)
Fair value change charged to profit or loss	–	–
Redemption of principal	–	(1,579)
	<hr/>	<hr/>
At the end of the period/year, asset	–	–
	<hr/> <hr/>	<hr/> <hr/>

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

## 15. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK0.1 each		
At 1 April 2014, 31 March 2015, 1 April 2015 and 30 September 2015	<b>100,000,000,000</b>	<b>10,000,000</b>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each		
At 1 April 2014	633,289,695	63,329
Subscription of shares ( <i>note i</i> )	50,000,000	5,000
At 31 March 2015 and 1 April 2015	<b>683,289,695</b>	<b>68,329</b>
Issue of shares upon the convertible bonds ( <i>note ii and iv</i> )	<b>1,300,000,000</b>	<b>130,000</b>
Subscription of shares ( <i>note iii</i> )	<b>136,657,939</b>	<b>13,666</b>
At 30 September 2015	<b>2,119,947,634</b>	<b>211,995</b>

### Notes:

- (i) 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.
- (ii) On 22 April 2015, convertible bonds with aggregate principal amount of HK\$184,550,000 were converted into 1,230,333,333 ordinary shares of the Company at conversion price of HK\$0.15.
- (iii) On 22 April 2015, the Company and the subscribers, who are independent third parties, entered into subscription agreements to subscribe an aggregate of 136,657,939 shares of the Company, at HK\$0.28.
- (iv) On 5 May 2015, convertible bonds with aggregate principal amount of HK\$10,450,000 were converted into 69,666,667 ordinary shares of the Company at conversion price of HK\$0.15.

## 16. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved by the Board on 30 November 2015.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Interim Results and Dividends**

For the interim period ended 30 September 2015, the Group recorded a turnover of HK\$23,144,000, representing an increase of 10.7% as compared to HK\$20,906,000 for the corresponding period last year. Net loss attributable to shareholders was HK\$23,812,000 (corresponding period in 2014: HK\$42,080,000). The decrease in loss was mainly attributable to significant decrease in finance costs as a result of the Group's repayment of the redeemable convertible preference shares and convertible bonds.

The Directors do not recommend the payment of any interim dividend to shareholders (corresponding period in 2014: Nil).

### **REVIEW OF BUSINESS OPERATION**

During the period, revenue of the Group's operation was primarily generated from provision of healthcare and third party administration services. While maintaining its existing business, the Group proactively explored the medical service market in Mainland China, and successfully obtained the operating right for a public hospital in Chengde City, Hebei Province, laying a sound ground for the Group's business transformation.

#### **Operation Right for a Public Hospital**

During the period, the Group successfully obtained the operating right for Shuangluan District, Chengde City Hospital (Chengde City Psychiatric Hospital) in Hebei Province for a period of 30 years (for details, please refer to the Company's announcement dated 24 July 2015). Pursuant to the agreement, a management company of the Group stationed in the hospital has taken over its operation and management, and the hospital's management mechanism reform and information technology system construction are in smooth progress. As at the date hereof, the new hospital building has started delivery procedures with certain departments and wards being relocated, and is expected to fully commence operation within this year. In next year, Shuangluan Hospital is expected to double its growth on the back of the newly operated building, and become an income contributor to the Group.

#### **Progress of the Possible Acquisition of Medical Projects**

During the period, the Group entered into the framework agreement with an independent third party in relation to the acquisition of the management service business of five cancer diagnosis and treatment centres in Beijing, Tianjin and other cities (for details, please refer to the Company's announcement dated 30 April 2015, 30 June 2015, 28 August 2015 and 30 October 2015). The long stop date of the framework agreement has been extended to 31 December 2015. As at the balance sheet date and as of the date hereof, the expected progress was not achieved as the conditions precedent for the acquisition were not fully satisfied, and the Group still needs more time to seek a formal agreement.

## ANALYSIS OF FINANCIAL POSITION

As at 30 September 2015, the Group's cash and cash equivalents amounted to approximately HK\$30.3 million (31 March 2015: HK\$101.3 million), where about HK\$11.8 million (31 March 2015: HK\$4.7 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 30 September 2015, the current assets and net current assets of the Group were approximately HK\$203.4 million (31 March 2015: HK\$273.8 million) and HK\$24.7 million (31 March 2015: HK\$35.8 million) respectively, representing a current ratio of 1.14 (31 March 2015: 1.15).

Following repayment of the principal amount of redeemable convertible cumulative preference shares in January 2015, the Group made further repayment of redeemable convertible cumulative preference share dividends and convertible notes during the period, solving the debt problem persisting over years. Accordingly, the Group significantly reduced its finance costs and lessened its financial pressure.

On 22 April 2015, an aggregate of 136,657,939 subscription shares of the Company at a subscription price of HK\$0.28 were successfully allotted and issued to two independent subscribers. The net proceeds of approximately HK\$38,114,000, representing a net subscription price per subscription share of approximately HK\$0.279, were used for general working capital of the Group.

On 22 April 2015 and 5 May 2015, the bondholders of the convertible bonds have exercised their rights to convert HK\$184,550,000 and HK\$10,450,000 of the outstanding principal amount of the convertible bonds 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 bondholders in accordance with the terms and conditions of the convertible bonds.

Based on the successfully introduced external resources, the Group has fundamentally improved its financial position and solved the crisis of negative equity and business sustainability. In addition to repayment of debts, the new resources allowed the Group to develop new business and step into a trajectory of healthy growth.

The Group further introduced certain independent investors by proposed issue of convertible notes at conversion price of HK\$0.15 per share (for details, please refer to the Company's circular dated 19 October 2015) raising gross proceeds of HK\$225 million. The convertible notes were not issued as of the date hereof. Such resources further consolidated the Group's financial foundation and provided a new driver to its development.

The Group's total borrowings, which represented liability component of convertible bonds and promissory note, as at 30 September 2015 amounted to approximately HK\$39.6 million (31 March 2015: HK\$103.1 million).

On this basis, as at 30 September 2015, the gearing ratio was calculated at 1.88 (31 March 2015: 12.65), based on an amount of shareholders' equity of HK\$21,061,000 (31 March 2015: HK\$8,153,000).

The Group conducted its continuing operational business transactions mainly in Renminbi and Hong Kong dollars. The Group did not arrange any forward currency contracts for hedging purposes.

### **Proposed change of Company's name**

The Board proposes to change the English name of the Company from “China HealthCare Holdings Limited” to “China Health Group Limited” and adopt “中國衛生集團有限公司” as the secondary name of the Company to replace the existing name in Chinese of “中國衛生控股有限公司” (which was adopted for identification purpose only). The logo of the Company will also be changed accordingly upon the change of company name becomes effective. Such change was approved by shareholders of the Company on 29 September 2015. As of the date hereof, the change of Company's name was not yet completed. Details of the proposed change of Company's name were set out in the circular of the Company dated 7 September 2015.

### **Proposed major transaction**

On 20 September 2015, the Company, 天津市天主教愛國會 (Tianjin Catholic Patriotic Association) and 天津益瑞康科技發展有限公司 (Tianjin Yi Rui Kang Technology Development Co., Ltd.) entered into an agreement, pursuant to which the parties to the agreement have agreed to grant an operating right to the Company for the management and operation of Sheng You Hospital for a period of 20 years, commencing from the date of operation of Sheng You Hospital. Meanwhile, the Company has agreed to provide the loan in an aggregate principal amount of RMB100,000,000 (equivalent to HK\$125,000,000) to Sheng You Hospital for the purpose of its reconstruction and operation. The transaction was subject to shareholders' approval and was not yet completed as of the date hereof. Details of the proposed major transaction were set out in the announcement of the Company dated 21 September 2015.

### **FUTURE PROSPECT**

The medical services and healthcare administration business, for which the Group set a target years ago, has grown into one of the leading industries for China's sustainable development in the long run. According to the Thirteen Five-year Plan, healthcare and retirement services as major industries supported by the State are benefiting from a string of government incentive policies on social capital, which provide a growing market headroom for the Group's business development in Mainland China.

In light of such favourable macro environment and drawing upon the experience of Shuangluan Hospital in Chengde, the Group will focus its business on merge and acquisition or management of first-level and second-level hospitals, and transformation, operation and management of urban hospitals at prefecture and county levels, especially those currently in normal course of profit making. Envisaging a substantive breakthrough in business in the second half of the year, the Board of Directors has full confidence in a turnaround of the Company's profit in the coming year.

### **Contingent Liabilities**

As at 30 September 2015, there was no contingent liability of the Group.

## **Charge on Group's assets**

As at 30 September 2015, there was no charge on the Group's assets.

## **Employees and Remuneration Policy**

As at 30 September 2015, the Group employed 84 (31 March 2015: 77) employees. Total staff cost including Directors' emoluments was approximately HK\$8,174,000 as compared to HK\$2,648,000 for the previous period.

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. No share option was granted nor exercised during the period. There were 5,970,000 outstanding share options as at 30 September 2015.

## **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 2015, 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 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 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 and one executive director. 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 2015.

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

Hong Kong, 30 November 2015

*As at the date of this announcement, the Board comprises five executive Directors, namely, Mr. Jia Hong Sheng (Chairman), Dr. Li Zhong Yuan, Mr. Zhou Bao Yi, Mr. Chung Ho and Mr. Wang Jingming; and four independent non-executive Directors, namely, Mr. Mu Xiangming, Mr. Jiang Bo, Dr. Yan Shi Yun and Mr. Zhao Hua.*