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 2009

The board of directors ("**Directors**") of China HealthCare Holdings Limited (the "**Company**") announced the audited consolidated financial results of the Company and its subsidiaries (the "**Group**") for the year ended 31 March 2009 together with the comparative figures for the corresponding year ended 31 March 2008 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Turnover	*4*	**2,870,719**	2,867,570
Cost of sales		**(2,844,481)**	(2,841,100)
Gross profit		**26,238**	26,470
Other income	*5*	**4,334**	4,742
Gain on deemed disposal of a subsidiary		**54,993**	–
Fair value loss on financial assets at fair value through profit or loss		**(67)**	(222)
Fair value gain on derivative component of convertible bonds		**8,711**	3,710
Fair value gain (loss) on derivative component of redeemable convertible cumulative preference shares		**23,449**	(5,990)
Gain on repurchase of convertible bonds		**1,470**	2,959
Distribution expenses		**(9,007)**	(7,258)
Administrative expenses		**(35,503)**	(40,645)
Allowances for loan receivables		**(18,909)**	–
Allowances for prepayment of acquisition of non-current assets		**(7,045)**	–
Impairment losses for trade & other receivables		**(466)**	(407)
Impairment losses for goodwill		**–**	(493)
Other operating expenses		**(49)**	(2,460)
Finance costs	*6*	**(22,156)**	(12,648)
Gain on disposal of subsidiaries		**2,510**	10,333
Profit (loss) before taxation		**28,503**	(21,909)
Taxation	*7*	**(1,451)**	(2,091)
Profit (loss) for the year	*8*	**27,052**	(24,000)
Attributable to:			
Equity holders of the Company		**12,275**	(25,152)
Minority interests		**14,777**	1,152
		27,052	(24,000)
Earnings (loss) per share (HK$)			
– Basic	*10*	**0.05**	(0.11)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**10,875**	11,988
Goodwill		**31,360**	27,152
Other intangible assets		**622**	830
Prepayment for acquisition of non-current assets		**–**	6,889
Interest in an associate		**1**	1
		42,858	46,860
Current assets			
Inventories		**26,490**	14,513
Trade receivables	*11*	**39,759**	33,563
Prepayments, deposits and other receivables		**15,027**	14,147
Loan receivables		**–**	27,656
Financial assets at fair value through profit or loss		**56**	123
Restricted bank balances		**100,042**	–
Bank balances and cash		**56,391**	59,579
		237,765	149,581
Current liabilities			
Trade payables	*12*	**762**	2,180
Other payables and accrued expenses		**37,893**	30,450
Amounts due to directors		**1,220**	1,972
Derivative component of convertible bonds		**5,220**	4,237
Derivative component of redeemable convertible cumulative preference shares		**25,110**	48,559
Convertible bonds		**53,359**	–
Redeemable convertible cumulative preference shares		**100,860**	–
Current tax liabilities		**227**	829
		224,651	88,227
Net current assets		**13,114**	61,354
Total assets less current liabilities		**55,972**	108,214
Non-current liabilities			
Convertible bonds		**–**	62,206
Redeemable convertible cumulative preference shares		**–**	90,607
		–	152,813
Net assets (liabilities)		**55,972**	(44,599)
Capital and reserves			
Share capital		**23,437**	23,437
Reserves		**(66,820)**	(81,044)
Equity attributable to equity holders of the Company		**(43,383)**	(57,607)
Minority interests		**99,355**	13,008
Total equity		**55,972**	(44,599)

Notes:

1. GENERAL INFORMATION

These consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

In preparing the consolidated financial statements, the directors of the Company have given consideration to the future liquidity of the Group.

As at 31 March 2009, the Group had net current assets of approximately HK$13,114,000 and net assets of approximately HK$55,972,000. However, the Group has bank balances of approximately HK$100,042,000 which are subject to restrictions imposed by the non-redeemable convertible preference shareholders of the Company's subsidiary pursuant to the terms of the subscription agreement.

Subsequent to the balance sheet date, the convertible bond of approximately HK$46,535,000; another convertible bond (Panjinfenyuan) of approximately HK$15,636,000 and the redeemable convertible cumulative preference shares of approximately HK$125,970,000 have all become redeemable on demands but the Group is unable to redeem immediately. The Group has been actively in discussions with the holders of the convertible bonds for standstills, and a majority of the holders of the convertible bonds have verbally indicated they would not take immediate legal action against the Company to enforce their rights under the convertible bonds, and these would, de facto, allow the Group to defer the redemption of the convertible bonds, with a view to continue working on a potential restructuring of its capital structure with Och-Ziff. Also, the Group is currently in discussion with certain prospective investors to secure continuous financial support and obtain new working capital from them, and in the mean time, the Group is implementing stringent cost control measures. The directors of the Company are of the opinion that continuous support will be provided by the Group's prospective investors to finance its future working capital and financial requirements provided a restructuring of capital structure with Och-Ziff is successful.

Accordingly, notwithstanding that the Group is unable to redeem the convertible bonds on demands, the directors of the Company are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2009 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 consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

Hong Kong Accounting Standard ("HKAS") 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Interpretation ("INT") 12	Service Concession Arrangements
HK(IFRIC) – INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – INT 9 and HKAS 39 (Amendments)	Embedded Derivatives[7]
HK(IFRIC)-INT 13	Customer Loyalty Programmes[5]
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-INT 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC)-INT 18	Transfers of Assets from Customers[8]

[1] Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
[2] Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
[3] Effective for annual periods beginning on or after 1 January 2009.
[4] Effective for annual periods beginning on or after 1 July 2009.
[5] Effective for annual periods beginning on or after 1 July 2008.
[6] Effective for annual periods beginning on or after 1 October 2008.
[7] Effective for annual periods ending on or after 30 June 2009.
[8] Effective for transfers of assets from customers received on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

4. TURNOVER AND SEGMENT INFORMATION

An analysis of the Group's turnover which represents sales of medical devices and consumables, B-to-C consumer services in E-distribution of mobile pre-charge etc. and B-to-B healthcare services is as follows:

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sales of medical devices and consumables	**4,922**	5,884
Revenue from B-to-C consumer services in E-distribution of mobile pre-charge etc.	**2,858,416**	2,857,505
Income of B-to-B healthcare services	**7,381**	4,181
	2,870,719	2,867,570

(a) Primary reporting format – business segments

The Group is currently organised into four operating divisions – (i) sales of medical devices and consumables, (ii) procurement of B-to-B healthcare services, (iii) B-to-C consumer services in E-distribution of mobile pre-charge etc. and (iv) investment holding.

The analysis of the revenue and segment result of the Group by operating divisions during the financial year is as follows:

For the year ended 31 March 2009

	Sales of medical devices and consumables *HK$'000*	Procurement of B-to-B healthcare services *HK$'000*	B-to-C consumer services in E-distribution of mobile pre-charge etc. *HK$'000*	Investment holding *HK$'000*	Consolidated *HK$'000*
Segment revenue	**4,922**	**7,381**	**2,858,416**	**–**	**2,870,719**
Segment results	**(1,355)**	**(1,575)**	**2,456**	**–**	**(474)**
Other income	**4**	**100**	**2,014**	**925**	**3,043**
Interest income	**9**	**6**	**162**	**1,114**	**1,291**
Fair value gain on derivative component of convertible bonds					**8,711**
Fair value gain on derivative component of redeemable convertible cumulative preference shares					**23,449**
Gain on repurchase of convertible bonds					**1,470**
Allowances for loan receivables					**(18,909)**
Allowances for prepayment of acquisition of non-current assets					**(7,045)**
Impairment losses for trade and other receivables					
– allocated	**–**	**–**	**(404)**	**–**	**(404)**
– unallocated					**(62)**
Loss on disposal of property, plant and equipment	**–**	**(36)**	**(10)**	**–**	**(46)**
Unallocated corporate expenses					**(17,868)**
Finance costs					**(22,156)**
Gain on deemed disposal of a subsidiary					**54,993**
Gain on disposal of a subsidiary					**2,510**
Profit before taxation					**28,503**
Taxation					**(1,451)**
Profit for the year					**27,052**

For the year ended 31 March 2008

	Sales of medical devices and consumables *HK$'000*	Procurement of B-to-B healthcare services *HK$'000*	B-to-C consumer services in E-distribution of mobile pre-charge etc. *HK$'000*	Investment holding *HK$'000*	Consolidated *HK$'000*
Segment revenue	5,884	4,181	2,857,505	–	2,867,570
Segment results	(4,542)	(5,107)	6,934	–	(2,715)
Other income					2,148
Interest income					2,594
Fair value gain on derivative component of convertible bonds					3,710
Fair value loss on derivative components of redeemable convertible cumulative preference shares					(5,990)
Gain on repurchase of convertible bonds					2,959
Impairment losses for trade and other receivables					
– allocated	(7)	(130)	(4)	–	(141)
– unallocated					(266)
Impairment losses for goodwill					(493)
Loss on disposal of property, plant and equipment					
– allocated	–	(2,574)	(71)	–	(2,645)
– unallocated					185
Unallocated corporate expenses					(18,940)
Finance costs					(12,648)
Gain on disposal of subsidiaries					10,333
Loss before taxation					(21,909)
Taxation					(2,091)
Loss for the year					(24,000)

(b) Secondary reporting format – geographical segments

The Group's operations and its operating assets are principally located in Hong Kong and other regions of the People's Republic of China (the "PRC'). Accordingly, no geographical segment information is presented.

5. OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Interest income on bank deposits	**903**	1,458
Other interest income	**389**	1,136
Government grants	**1,217**	1,303
Dividend income	**2**	–
Others	**1,823**	845
	4,334	4,742

6. FINANCE COSTS

	2009	2008
	HK$'000	*HK$'000*
Interest on other bank loans wholly repayable within five years	**118**	–
Dividend payable to convertible preference shares issued by a subsidiary	**6,531**	–
Effective interest expenses on convertible bonds wholly repayable within five years	**5,254**	3,179
Interest on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	**10,253**	9,469
	22,156	12,648

7. TAXATION

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

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.

The Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year.

	2009	2008
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**1,341**	2,079
Underprovision in prior years	**110**	12
	1,451	2,091

8. PROFIT (LOSS) FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the year had been arrived at after charging (crediting):		
Amortisation of other intangible assets included in administrative expenses	**228**	385
Auditors' remuneration	**900**	1,800
Cost of inventories recognised as expenses *(Note)*	**2,840,615**	2,480,318
Depreciation	**5,706**	5,391
Net exchange losses	**53**	531
Impairment losses for obsolete inventories	**–**	25
Loss on disposal of property, plant and equipment	**46**	2,460
Operating leases payments in respect of land and buildings	**2,713**	5,007
Research and development expenditure	**661**	1,697
Staff costs (including directors' remuneration)		
– Salaries and allowances	**10,804**	15,750
– Retirement benefit scheme contributions	**1,681**	1,123
	12,485	16,873
Rental income	**–**	(40)
Dividend income	**(2)**	–

Note: As at 31 March 2008, other than the purchase cost of finished goods, raw materials and consumables and other overhead, cost of inventories recognised included staff costs, depreciation and operating lease payments with total of HK$795,000 (2009: Nil).

9. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2008: Nil).

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to equity holders of the Company is based on the following data:

	2009	2008
	HK$'000	*HK$'000*
Profit (loss) for the purposes of basic earnings (loss) per share (profit (loss) for the year attributable to equity holders of the Company)	**12,275**	(25,152)

	2009	2008
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**234,367,577**	234,367,577

As the exercise of the Company's outstanding convertible bonds and redeemable convertible cumulative preference shares for both years would be anti-dilutive and there was no dilutive potential ordinary shares for the Company's outstanding options, no diluted profit (loss) per share was presented in both years.

11. TRADE RECEIVABLES

The normal credit period granted to customers of the E-distribution of mobile pre-charge is 3 to 7 days. The credit terms granted to other customers generally ranged from 10 to 90 days. An ageing analysis of the trade receivables, based on invoice date, and net of impairment, is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**36,161**	32,953
31 to 60 days	**271**	254
61 to 90 days	**620**	347
90 to 120 days	**1,979**	–
Over 120 days	**728**	9
Total	**39,759**	33,563

The carrying amounts of the Group's trade receivables are denominated in RMB.

12. TRADE PAYABLES

An ageing analysis of trade payables, based on the date of receipt of goods is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**762**	1,207
31 to 60 days	**–**	9
61 to 90 days	**–**	–
90 to 120 days	**–**	1
Over 120 days	**–**	963
Total	**762**	2,180

The carrying amounts of the Group's trade payables are denominated in RMB.

13. EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the Company's announcement dated 31 March 2009 (the "Announcement"), the CB with outstanding principal of HK$20,000,000 by Panjinfenyuan as the CS holder was due for redemption, the Company was facing liquidity problems and was lack of sufficient cash flow to redeem this CB and the CB (Panjinfenyuan) with outstanding principal of about US$5,450,000 when these convertible bonds become due.

Further to the Announcement, a Board meeting was held on 12 May 2009. The Board decided to defer redemption of the convertible bonds and other non-operating related cash outflows as the Company had insufficient cash flow to redeem the convertible bonds. While the Company has requested the holders of the convertible bonds for a stand still of three months in late May, no payment extension in writing has been obtained. A majority of the holders of the convertible bonds, however, has verbally indicated they would not take immediate legal action against the Company to enforce their rights under the convertible bonds.

EXTRACT FROM INDEPENDENT AUDITOR'S REPORT

Basis for disclaimer of opinion: fundamental uncertainty relating to the going concern basis

As at 31 March 2009, the Group had net current assets of approximately HK$13,114,000 and net assets of approximately HK$55,972,000. However, the Group has bank balances of approximately HK$100,042,000 which are subject to restrictions imposed by the non-redeemable convertible preference shareholders of a subsidiary pursuant to the terms of the subscription agreement signed.

As explained in Note 43 to the consolidated financial statements, subsequent to the balance sheet date, the Group is unable to redeem the convertible bonds of approximately HK$46,535,000 which was due on 18 May 2009 ("18 May Convertible Bonds"). In additions, the Group has convertible bonds ("Convertible Bonds") and redeemable convertible cumulative preference shares ("Preference Shares") totaling approximately HK$15,636,000 and HK$125,970,000, respectively, and such amounts have became repayable on demand. Based on the current financial position of the Group, the Group might have difficulties in repaying the 18 May Convertible Bonds and such failure may trigger the early redemption of the Convertible Bonds and the Preference Shares.

The consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful outcome of the Group's current negotiations with the convertible bonds holders, preference shareholders and prospective investors to secure continuous financial support and obtain new working capital in order for the Group to meet its financial obligations as they fall due and to finance its future working capital and financial requirements. Due to the uncertainty of liabilities arising from such failure to redeem the 18 May Convertible Bonds, the Convertible Bonds and the Preference Shares, we are unable to confirm whether the Group can be operated as a going concern. The consolidated financial statements do not include any adjustments that would result from a failure to redeem the 18 May Convertible Bonds, the Convertible Bonds and the Preference Shares and we consider that appropriate disclosures have been made. However, the uncertainty surrounding the outcome of these negotiations raises significant doubt about the Company's ability to continue as a going concern and we have disclaimed our opinion.

Disclaimer of opinion

Because of the significance of the fundamental uncertainty relating to the going concern basis, we do not express an opinion as to whether the consolidated financial statements give a true and fair view of the state of affairs of Group as at 31 March 2009 and of its profits and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirement of the Hong Kong Companies Ordinance.

FINAL DIVIDEND

The Directors do not recommend the payment of any final dividend to the shareholders (2008: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Results

For the year ended 31 March 2009, the Group reported a turnover of approximately HK$2,870.7 million, representing an increase of 0.11% as compared to HK$2,867.6 million for the previous financial year. The Group's net profit from ordinary activities attributable to shareholders for the year was approximately HK$12.3 million as compared to loss of approximately HK$25.2 million for the previous financial year. Basic earnings per share for the year was HK$0.05 (2008: loss per share HK$0.11).

Business Operation

During the past financial year, the Group continued to be principally engaged in provision of consumer and healthcare services and made steady progress in its business operations 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, increasing Chinese and international travelers, and ageing demographics. The Group's vision is to become a consumer oriented service provider to embrace the mega trend, and to materialize such a vision the Group is building and scaling up its head-count based and IT enabled services and products.

Review of B-to-C consumer services operation

The operation's business model continued to be oriented around scale; growth; cash flow and outlets of distribution and settlement. The operation remains the #1 distributor of mobile prepaid cards in Shanghai; achieved more than 70% penetration of convenience stores in Shanghai – the most comprehensive one in China; and continues to maintain an estimated 24% market share for China Mobile top-up cards in Shanghai. During the financial year, the Group launched a strategic growth initiative to take the business operation to achieve accelerated rather than organic growth and has taken steps to identify and remove constrains in management; capital; expertise and technology.

The operation is fortunate to be able to draw upon both global perspective and local expertise to form its road map of the strategic growth initiative. The initiative entails expansion of geography; products and channels, i.e. expanding into viable coastal regions beyond Shanghai in geography; viable prepaid and store-value products and services beyond mobile top-up in products; and viable channels beyond existing ones in Shanghai to increase economy of scale. In taking measures to remove constraints in financial resources to the initiative, the operation worked hard to secure capital injection in late 2008 by completing a stand-alone financing as disclosed in a circular dated September 30, 2008, and in taking measures to remove constraints in human resources to the initiative, the operation has had continued success in upgrading its critical human resources of senior and middle managers in marketing; technology and channel management.

Directors would like to report that the operation of the Group's consumer services business has had an increase of about 0.03% in terms of overall revenues as compared with the same period in 2008, while facing adverse impact of ongoing restructurings of China's telecom industry.

Review of B-to-B healthcare services operation

The operation's business model continues to focus on scale; growth; standardization and cash flow; and is built around nationwide hospital access; prepaid revenue based on head-counts; IT enabled services and products and channel based distribution. The travel related medical assistance is a prime focus of the operation, which has emerged as a leading provider of emergency medical assistance in China. Given the rapidly rising China related travel flows, intra-China or China outbound or inbound China, and further stimulus by forthcoming landmark event of 2010 WorldExpo in Shanghai, the demand for travel related medical assistance is expected to continue to grow rapidly.

The operation has had a steadily growing customer-base with a core component of prepaid members for emergency medical assistance access and accumulated a capacity of handling growing number of emergency medical assistance cases. During the financial year, the operation has also reviewed the constraints in growth and scale that would identify deepening of nationwide hospital access; broadening of service products; widening of distribution channels; and sharpening of IT enablers. While the operation's financial resources are limited, it has nevertheless managed to bring a number of senior and middle managers in marketing; hospital access and customer services on board to alleviate constraints in human resources to its future growth.

Directors would like to report that the operation of the Group's healthcare services has had an increase of over 76.5% in terms of revenues as compared with the same period in 2008.

Review of the Group's financial distress

Due to the impact of global financial tsunami during the past financial year, the Group's listing entity China HealthCare Holdings Ltd. ("CHC" or "HoldCo"), as the Group's ultimate holding company, is experiencing liquidity problem. Since HoldCo doesn't have sufficient cash on hand, it is in default to its obligations to repay two convertible bonds (the "CB") of outstanding principals of about US$5.5 million and HK$20 million respectively as of the date. HoldCo has requested a standstill with the

CB holders since May 20, 2009, with a view to continue working on a potential restructuring of its capital structure with the holder of preference shares Och Ziff, to bring in external resources to solve its solvency problem.

Facing the financial distress above, the directors have made hard choices to implement all necessary cost-cutting measures across all aspects of HoldCo, including without limitation, reduction of the size and operation cost of its non-revenue generating component. As the Group's operations are service oriented and human capital heavy, directors are making every best effort in alleviating the ongoing negative impacts of the financial distress and sustaining the underlying operations.

Liquidity and Capital Resources

During the year under review, the Group's cash and cash equivalents amounted to approximately HK$156.4 million as at 31 March 2009, where about HK$100 million is in its subsidiary Harvest Network Ltd. ("Harvest") and its use is restricted for Harvest's working capital and other purpose only.

The Group's total borrowings as at 31 March 2009 amounted to HK$154.2 million, all of which as represented by convertible bonds and preference shares.

On this basis, the gearing ratio is calculated at (3.55) (2008: (2.65)), based on an amount of shareholders' equity of HK$(43,383,000) (2008: HK$(57,607,000)).

Contingent Liabilities

At 31 March 2009, there were no contingent liabilities of the Group.

Charge on Group's Assets

At the balance sheet date, there was no charge on the Group's assets.

Employees and Remuneration Policy

As at 31 March 2009, the Group employed 128 (2008: 130) staff members. Total staff cost including Directors' emoluments was HK$12.5 million as compared to HK$16.9 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.

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 holders of preference shares, ordinary shareholders, CB investors and business partners, to work out a restructuring solution to HoldCo's solvency problem.

From a macro perspective of 20-year time horizon on China's consumer markets by McKinsey, China's one was comparable to Italy's in 2005; will surpass Germany's in 2015 and becomes comparable to Japan's in 2025, becoming one of the largest consumer markets but lag in per-capita consumption, and such mega trend defines world's largest growth opportunity in consumer services. Along with the growth in China's economy and consumption, China's demographic is such that about 25% of its population will be ageing (i.e. at or more than 60 years older) by 2030. Despite the Group's immediate financial distress of its HoldCo and provided the Group's restructuring effort is successful, the Group's business operations and associated business model of head-count based and IT enabled services and products are still on track to embrace the mega trend.

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 2009.

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 deviations disclosed in the Company's latest interim report for the six months ended 30 September 2008. Detailed information is set out in the Corporate Governance Report included in the Company's Annual Report to be despatched to the shareholders in due course.

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.

AUDIT COMMITTEE

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 2009.

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 www.chinahealthcareltd.com in due course.

On Behalf of the Board
Zhou Bao Yi
Executive Director

Hong Kong, 27 July 2009

As at the date of this announcement, the board of directors of the Company comprises Dr. Li Zhong Yuan, Mr. Lee Jong Dae and Mr. Zhou Bao Yi, all of whom are executive directors; Mr. Martin Treffer who is non-executive director; and Mr. Mu Xiang Ming, Mr. Jiang Bo and Dr. Yan Shi Yun, all of whom are independent non-executive directors.

* *For identification purpose only*