



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 2007**

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 2007 together with the comparative figures for the corresponding year ended 31 March 2006 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	<i>Note</i>	2007 HK\$’000	2006 HK\$’000
Turnover	3	1,632,961	6,834
Cost of sales and service		(1,620,215)	(5,287)
Gross profit		12,746	1,547
Other income	4	6,721	1,337
Distribution costs		(5,091)	(4,743)
Administrative expenses		(41,673)	(37,428)
Impairment losses for doubtful debts		(2,307)	(21,217)
Impairment losses of available-for-sale financial assets		–	(22,588)
Impairment losses of goodwill		(14,462)	(15,500)
Other operating expenses		(20,539)	(504)
Loss from operations		(64,605)	(99,096)
Finance costs	5	(9,011)	(2,767)
Gain on disposal of an associate		236	–
Share of profits of an associate		8	–
Loss before tax		(73,372)	(101,863)
Income tax expense	6	(883)	–
Loss for the year	7	<u>(74,255)</u>	<u>(101,863)</u>
Attributable to:			
Equity holders of the Company		(73,210)	(96,773)
Minority interests		(1,045)	(5,090)
		<u>(74,255)</u>	<u>(101,863)</u>
Loss per share (HK\$)	8		
– Basic		<u>(0.31)</u>	<u>(0.42)</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

CONSOLIDATED BALANCE SHEET

For the year ended 31 March 2007

	Note	2007 HK\$'000	2006 HK\$'000
Non-current assets			
Property, plant and equipment		15,894	11,968
Goodwill		30,877	23,886
Other intangible assets		1,917	1,111
Prepayment for acquisition of non-current assets		5,253	–
Interest in an associate		1	1
		<u>53,942</u>	<u>36,966</u>
Current assets			
Inventories		23,255	2,646
Trade receivables	9	18,638	3,289
Prepayments, deposits and other receivables		8,171	8,049
Loan receivables		20,434	7,806
Financial assets at fair value through profit or loss		345	–
Bank balances and cash		74,022	47,894
		<u>144,865</u>	<u>69,684</u>
Current liabilities			
Trade payables	10	552	1,409
Other payables and accrued liabilities		20,647	12,221
Amounts due to directors		5,311	6,942
Derivative component of convertible bonds	11	7,947	–
Derivative component of redeemable convertible cumulative preference shares	12	42,569	–
Current tax liabilities		330	–
		<u>77,356</u>	<u>20,572</u>
Net current assets		<u>67,509</u>	<u>49,112</u>
Total assets less current liabilities		<u>121,451</u>	<u>86,078</u>
Non-current liabilities			
Convertible bonds	11	66,643	48,992
Redeemable convertible cumulative preference share	12	81,138	–
		<u>147,781</u>	<u>48,992</u>
NET (LIABILITIES)/ASSETS		<u>(26,330)</u>	<u>37,086</u>
Capital and reserves			
Share capital		23,437	23,437
Reserves		(62,496)	8,036
Equity attributable to equity holders of the Company		<u>(39,059)</u>	<u>31,473</u>
Minority interests		<u>12,729</u>	<u>5,613</u>
TOTAL EQUITY		<u>(26,330)</u>	<u>37,086</u>

Notes:

1. ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (the “HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2006. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group’s accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The adoption of these new and revised HKFRSs will have no material impact on the financial statements of the Group.

2. SEGMENT INFORMATION

(a) Primary reporting format – business segments

The Group is currently organised into four operating divisions – (i) production and trading of biotechnology products, (ii) procurement of healthcare services, (iii) E-commerce distribution of mobile pre-charge and (iv) investment holding.

(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.

Primary reporting format – Business segments

Consolidated income statement

For the year ended 31 March 2007

	Production and trading of biotechnology products <i>HK\$’000</i>	Procurement of healthcare services <i>HK\$’000</i>	E-commerce distribution of mobile pre-charge <i>HK\$’000</i>	Investment holding <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Segment revenue	<u>2,852</u>	<u>3,033</u>	<u>1,627,076</u>	<u>–</u>	<u>1,632,961</u>
Segment results	<u>(3,221)</u>	<u>(11,915)</u>	<u>4,694</u>	<u>–</u>	(10,442)
Other income					6,721
Unallocated corporate expenses					<u>(60,884)</u>
Loss from operations					(64,605)
Finance costs					(9,011)
Gain on disposal of an associate					236
Share of profits of an associate					<u>8</u>
Loss before tax					<u>(73,372)</u>

For the year ended 31 March 2006

	Production and trading of biotechnology products <i>HK\$'000</i>	Procurement of healthcare services <i>HK\$'000</i>	E-commerce distribution of mobile pre-charge <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>3,683</u>	<u>3,151</u>	<u>–</u>	<u>–</u>	<u>6,834</u>
Segment results	<u>(9,220)</u>	<u>(18,623)</u>	<u>–</u>	<u>(48,806)</u>	(76,649)
Other income					1,337
Unallocated corporate expenses					<u>(23,784)</u>
Loss from operations					(99,096)
Finance costs					<u>(2,767)</u>
Loss before tax					<u>(101,863)</u>

Consolidated balance sheet

For the year ended 31 March 2007

	Production and trading of biotechnology products <i>HK\$'000</i>	Procurement of healthcare services <i>HK\$'000</i>	E-commerce distribution of mobile pre-charge <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	<u>8,164</u>	<u>18,292</u>	<u>66,782</u>	<u>1</u>	93,239
Unallocated corporate assets					<u>105,568</u>
Consolidated total assets					<u>198,807</u>
LIABILITIES					
Segment liabilities	<u>781</u>	<u>2,955</u>	<u>5,824</u>	<u>–</u>	9,560
Unallocated corporate liabilities					<u>215,577</u>
Consolidated total liabilities					<u>225,137</u>

For the year ended 31 March 2006

	Production and trading of biotechnology products <i>HK\$'000</i>	Procurement of healthcare services <i>HK\$'000</i>	E-commerce distribution of mobile pre-charge <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	<u>19,324</u>	<u>23,507</u>	<u>-</u>	<u>1</u>	42,832
Unallocated corporate assets					<u>63,818</u>
Consolidated total assets					<u>106,650</u>
LIABILITIES					
Segment liabilities	<u>1,645</u>	<u>2,895</u>	<u>-</u>	<u>-</u>	4,540
Unallocated corporate liabilities					65,024
Consolidated total liabilities					<u>69,564</u>

Other information

For the year ended 31 March 2007

	Production and trading of biotechnology products <i>HK\$'000</i>	Procurement of healthcare services <i>HK\$'000</i>	E-commerce distribution of mobile pre-charge <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated corporate assets <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions:						
- Property, plant and equipment	73	1,926	7,001	-	155	9,155
- Goodwill	-	2,348	19,105	-	-	21,453
- Other intangible assets	-	-	1,050	-	-	1,050
Impairment losses of inventories	613	87	-	-	-	700
Impairment losses for doubtful debts	1,765	-	483	-	59	2,307
Impairment losses of goodwill	8,301	6,161	-	-	-	14,462
Amortisation of other intangible assets	198	-	132	-	-	330
Depreciation	<u>344</u>	<u>2,392</u>	<u>1,726</u>	<u>-</u>	<u>389</u>	<u>4,851</u>

For the year ended 31 March 2006

	Production and trading of biotechnology products <i>HK\$'000</i>	Procurement of healthcare services <i>HK\$'000</i>	E-commerce distribution of mobile pre-charge <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Unallocated corporate assets <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions:						
– Property, plant and equipment	215	6,268	–	–	1,156	7,639
– Goodwill	–	1,213	–	–	–	1,213
Impairment losses of inventories	377	–	–	–	–	377
Impairment losses for doubtful debts	40	–	–	21,177	–	21,217
Impairment losses of available-for-sale financial assets	–	–	–	22,588	–	22,588
Impairment losses of goodwill	5,600	5,400	–	4,500	–	15,500
Amortisation of other intangible assets	191	–	–	–	–	191
Depreciation	497	1,753	–	–	375	2,625
Share-based payment expense	–	–	–	–	148	148

3. TURNOVER

An analysis of the Group's turnover which represents sales of biotechnology products and revenue from E-commerce distribution of mobile pre-charge healthcare services are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Turnover		
Sales of biotechnology products	2,852	3,683
Revenue from E-commerce distribution of mobile pre-charge	1,627,076	–
Services income	3,033	3,151
	<u>1,632,961</u>	<u>6,834</u>

4. OTHER INCOME

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest income on bank deposits	2,805	687
Other interest income	873	342
Reversal of impairment losses for doubtful debts	531	44
Government subsidies	665	–
Fair value gains (realised and unrealised) on financial assets at fair value through profit or loss	595	–
Sundry income	1,252	264
	<u>6,721</u>	<u>1,337</u>

5. FINANCE COSTS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on convertible bonds wholly repayable within five years	3,023	2,767
Interest on other loans wholly repayable within five years	31	–
Interest on liability component of redeemable convertible cumulative preference shares wholly repayable within five years	5,957	–
	<u>9,011</u>	<u>2,767</u>

6. INCOME TAX EXPENSE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current tax – PRC	<u>883</u>	<u>–</u>

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group did not generate any assessable profit arising from Hong Kong for the year.

Tax charge on profits assessable in the PRC have been calculated at the rates of tax prevailing in the PRC in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss before tax	<u>(73,372)</u>	<u>(101,863)</u>
Tax at the Hong Kong Profits Tax rate of 17.5%	(12,840)	(17,826)
Tax effect of income that is not taxable in determining taxable profit	(2,259)	(193)
Tax effect of expenses that are not deductible in determining taxable profit	16,350	15,193
Tax effect of losses not recognised due to uncertainty on future profit streams	139	4,606
Tax effect of difference on depreciation between tax and accounting purposes	39	129
Effect of different tax rates operating in other jurisdiction	(546)	(1,909)
Income tax expense	<u>883</u>	<u>–</u>

7. LOSS FOR THE YEAR

Loss for the year is stated after charging the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Amortisation of other intangible assets included in administrative expenses	330	191
Cost of inventories recognised as expenses (Note)	1,617,088	3,218
Depreciation	4,851	2,625
Fair value loss on derivative component of convertible bonds	5,720	–
Fair value loss on derivative component of redeemable convertible cumulative preference shares	10,311	–
Impairment losses for doubtful debts	2,307	21,217
Impairment losses for obsolete inventories	700	377
Impairment losses of available-for-sale financial assets	–	22,588
Loss on disposal of property, plant and equipment	<u>869</u>	<u>3</u>

Note: Other than the purchase cost of finished goods, raw material and consumables, cost of inventories recognised included staff costs, depreciation, operating lease payments with total of HK\$813,000 (2006: HK\$894,000).

8. LOSS PER SHARE

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Loss for the purposes of basic loss per share (loss for the year attributable to equity holders of the Company)	<u>(73,210)</u>	<u>(96,773)</u>
	2007	2006
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>234,367,577</u>	<u>230,244,015</u>

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

9. TRADE RECEIVABLES

The normal credit period granted to customers of the selling of mobile usage fees is 3 to 7 days. The credit terms granted to other customers generally ranged from 10 to 90 days. The ageing analysis of the trade receivables, based on invoice date, and net of allowance, is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	17,395	280
31 to 60 days	79	273
61 to 90 days	151	156
91 to 120 days	222	165
Over 120 days	791	2,415
	<u>18,638</u>	<u>3,289</u>
Total	<u>18,638</u>	<u>3,289</u>

As at 31 March 2007, an allowance was made for estimated irrecoverable trade receivables of approximately HK\$8,742,000 (2006: HK\$818,000).

10. TRADE PAYABLES

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Within 30 days	444	42
31 to 60 days	5	–
61 to 90 days	12	4
91 to 120 days	23	494
Over 120 days	68	869
	<u>552</u>	<u>1,409</u>
Total	<u>552</u>	<u>1,409</u>

11. CONVERTIBLE BONDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Liability component of convertible bonds		
Convertible bonds issued with equity component (<i>note a</i>)	49,904	48,992
Convertible bonds issued within derivative component (<i>note b</i>)	16,739	–
	<u>66,643</u>	<u>48,992</u>
Derivative component of convertible bonds (<i>note b</i>)	<u>7,947</u>	<u>–</u>

The maturity of the liability component of the convertible bonds is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
In the second to fifth years inclusive	<u>66,643</u>	<u>48,992</u>

Notes:

(a) *Convertible bonds issued with equity component*

On 19 May 2005, the Company issued convertible bonds with a nominal value of US\$6,600,000 due on 18 May 2009 ("CB1"). CB1 carrying 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. Each CB1 entitles the holder to convert the bonds into new ordinary shares of the Company at a conversion price, subject to adjustment, of HK\$2.525 per share during the period from 19 May 2005 to 18 May 2009. In addition, if CB1 remain outstanding on the maturity date, the Company will redeem the principal of CB1 at 100% of their face value.

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Nominal value	51,256	51,256
Equity component	<u>(3,592)</u>	<u>(3,592)</u>
Liability component at date of issue	47,664	47,664
Interest charged	4,557	2,100
Interest paid	<u>(2,317)</u>	<u>(772)</u>
Liability component at 31 March	<u>49,904</u>	<u>48,992</u>

The interest charged on CB1 for the year is calculated by applying an effective interest rate of 5.135% to the liability component.

The directors estimate the fair value of the liability component of CB1 at 31 March 2007 to be approximately HK\$97,461,000 (2006: HK\$45,237,000). The fair value has been calculated by discounting the future cash flows at the market rate.

(b) *Convertible bonds issued with derivative component*

On 7 August 2006, the Company issued convertible bonds with a nominal value of HK\$18,400,000 due on 6 August 2010 (“CB2”). CB2 carry interest at 2% per annum payable semi-annually in arrears with the first interest payment due on 6 February 2007 and the last interest payment due on 6 August 2010. During the period from 7 August 2006 to 6 August 2010, each CB2 entitles the holder to convert the bonds into new ordinary shares of the Company at the lower of the following:

- (i) the initial conversion price, subject to adjustment, of HK\$1.16; and
- (ii) the volume-weighted average price of the ordinary shares of the Company, subject to adjustment, for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice.

In addition, if CB2 remain outstanding on the maturity date, the Company will redeem the principal of CB2 at 100% of their face value. Details are disclosed in the Company’s circular dated 16 June 2006.

The net proceeds received for the issue of CB2 have been split between the liability element and an derivative component as follows:

	2007 HK\$’000
Nominal value	18,400
Derivative component	(2,227)
	<hr/>
Liability component at date of issue	16,173
Interest charged	566
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Liability component at 31 March 2007	16,739
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Derivative component at the date of issue	2,227
Fair value loss recognised in current year	5,720
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Derivative component at 31 March 2007	7,947
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The interest charged on CB2 for the year is calculated by applying an effective interest rate of 5.479% to the liability component for the 8 month period since the loan notes were issued.

The directors estimate the fair values of the liability component of CB2 at 31 March 2007 to be approximately HK\$15,451,000. This fair value has been calculated by discounting the future cash flows at the market rate.

The derivative component of CB2 were revalued as at 31 March 2007 based on valuation by an independent valuer, BMI Appraisal Limited, determined using option pricing models.

12. REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

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

- (a) the initial conversion price, subject to adjustment, of HK\$1.16; and
- (b) the volume-weighted average price of the ordinary shares of the Company, subject to adjustment, for the twenty trading days ending on the day immediately preceding the date of a relevant conversion notice.

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

The net proceeds received from the issue of PS have been split between the liability and derivative component, as follows:

	<i>HK\$'000</i>
Nominal value of PS issued during the year	117,000
Transaction cost related to liability component	(9,561)
Derivative component at the date of issue	<u>(32,258)</u>
Liability component at the date of issue	75,181
Interest charged	<u>5,957</u>
Liability component at 31 March 2007	<u><u>81,138</u></u>
Derivative component at the issuance date	32,258
Fair value gain recognised in current year	<u>10,311</u>
Derivative component at 31 March 2007	<u><u>42,569</u></u>

The interest charged for the year is calculated by applying the effective interest rate of 11.965% to the liability component for the 8 month period since the PS was issued.

The directors estimate the fair value of the liability component of PS at 31 March 2007 to be approximately HK\$93,621,000. This fair value has been calculated by discounting the future cash flows at the market value.

The derivative component of PS were revalued as at 31 March 2007 based on valuation by an independent valuer, BMI Appraisal Limited, determined using option pricing models.

FINAL DIVIDEND

The Group's Directors do not recommend the payment of a final dividend for the year ended 31 March 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2007, the Group reported a turnover of approximately HK\$1,632.9 million, representing a increase of 238 times as compared to HK\$6.8 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK\$73.2 million as compared to approximately HK\$96.8 million for the previous financial year. Basic loss per share for the year was HK\$0.31 (2006: HK\$0.42).

BUSINESS OPERATION

During the past year, the Group was principally engaged in provision of facilitation and distribution of consumer oriented and healthcare services in the PRC by leveraging its access to distribution channels, communications infrastructure and healthcare resources. The Group devoted most of its resources to create a platform to enable integrated consumer oriented marketing and healthcare services with better access, better communication and better connectivity, targeting primarily the burgeoning and increasingly affluent consumer segment in China. In August 2006, the Group completed its acquisition of 70% equity interest in Shanghai Harvest Network Technology Co., Ltd ("Harvest"), a profitable B-to-C e-commerce platform of distribution and micro-payment with an annual revenue exceeding RMB 2 billion and a large customer reach and flow via its approximately 5,000 points of sales terminals and outlets in Shanghai. The acquisition of Harvest shapes up the critical mass for the Group to scale up its own direct B-to-C access/settlement/connectivity platform to distribute its consumer oriented and health/wellness services and products efficiently, effectively and conveniently.

As such a connectivity platform focuses on solutions involving information flows, Harvest also enables and enhances the Group's access to communications infrastructure via its substantive working relationships with wireless fixed line operators in China. In order to enable quality service in health/wellness, the Group, working in an expansive public-private partnership with the Chinese healthcare authorities and leading public hospitals in China, and also via other strategic partnerships with leading international healthcare institutions, continues to build up and fine tune its access to and connectivity with healthcare resources for quality delivery. In order to enable and scale up its service distribution via B-to-B channels, the Group continues to work with Chinese insurance companies to provide value added services or "differentiators" to their category of insurance products. The Group's strategy is to build up its proprietary consumer base by providing its head-count based services and products, leveraging its access to distribution channels, communications infrastructure and healthcare resources for consumer reach with scale and efficiency and service delivery with quality in China. The developments during the past financial year have further strengthened the management's confidence in the Group's general business prospect in growth and scale.

Besides its synergy as an e-commerce platform in distributing the Group's health/wellness services to consumers, Harvest in its own right is a solidly proven and increasingly profitable B-to-C e-distribution and payment solution operation, which generated annual revenues in excess of RMB2 billion for the calendar year 2006, enjoying a dominant market share of approximately 25% in Shanghai's mobile prepayment market, and possessing approximately 5,000 proprietary e-commerce terminals which are located in convenience and other retail outlets throughout Shanghai.

Since its consolidation into the Group as a subsidiary, the Group started Harvest's expansion and growth along several dimensions. In addition to Harvest's proprietary e-commerce terminals, the Group has been successfully expanding its e-distribution, via its subsidiary, Shanghai EPay Network Technology Co., Ltd. ("EPay"), by piggybacking on points of sales terminals of China UnionPay and Chinese commercial banks, e.g., PayEasy and ATM, to operate its e-commerce business in Shanghai. In addition to Harvest's dominant presence in Shanghai, the Group has taken substantive steps to replicate its Shanghai success in Guangdong. In addition to its ongoing e-distribution of various prepaid single product, Harvest has successfully procured highly valuable regulatory approvals in Shanghai to issue and operate debit cards with bundled packages of consumer products and services, which laid the foundation for Harvest to have higher margin e-commerce and integration with the Group's health and wellness business.

During the year, the Group, via its subsidiary, Shanghai (CHC) Medical and Health Services Co., Ltd. ("Shanghai Clinic"), formed a strategic operating partnership with Shanghai Medical Assistance Network ("SMAN") which is partially owned by Shanghai Health Bureau at present. SMAN is an online and call center business that provides medical and healthcare information, health industry information and medical assistance. SMAN had approximately 6 million visitors and 300,000 registered users and accumulated a database of over 1 million active customers (in particular 10,000+ physicians in Shanghai) as of 2006. In addition to being a profit center offering a range of fee-for-service check up/preventive medicine services, the Shanghai Clinic serves as the Group's focal interface with Shanghai based medical resources, is building up and accessing a large and valuable customer base, and connects Harvest's integration with the Group's health and wellness business in Shanghai.

The Group has continued to develop working relationships with insurance companies as B-to-B channels by structuring and marketing medical/health/wellness assistance as value added services, i.e., differentiators, to their category of insurance products. Emergency Assistance Medical Services ("EAMS") serves as a catalyst for the Group's centralized interface with insurers and other channel partners for its expanding customer base. During the year, the Group, via its subsidiary Beijing Universal Medical Assistance Co., Ltd. ("BUMA"), executed contractual agreements with the likes of China Life, China PingAn, Bohai Property and PICC Health for providing EAMS.

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Company completed fund raising activities from the issue of redeemable convertible cumulative preference shares and convertible bonds in aggregate principal amount of US\$15 million (approximately HK\$117 million) and HK\$18.4 million respectively. These fund raising exercises improved the financial position of the Group, and partially offset significant cash outlays related to the development of businesses. The Group's cash and cash equivalents amounted to approximately HK\$74 million as at 31 March 2007.

The Group's total borrowings as at 31 March 2007 amounted to HK\$148 million, all of which as represented by convertible bonds and preference shares.

On this basis, the gearing ratio is calculated at (3.78) (2006: 1.56), based on an amount of shareholders' equity of HK\$(39,059,000) (2006: HK\$31,473,000).

CONTINGENT LIABILITIES

At 31 March 2007, 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 2007, the Group employed 149 (2006: 149) staff members. Total staff cost including Directors' emoluments was HK\$17.2 million as compared to HK\$16.3 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 PROSPECTS

In August 2006, the Group completed an investment of US\$15 million (approximately HK\$117 million) from Och-Ziff Capital Management Group ("OZ Capital"). OZ Capital is a global institutional asset management firm having in excess of US\$25 billion of assets under management. The investment provided new funding to the Group for expansion of the existing business and new business development.

The Group's objective is to achieve a dominant position in China as a consumer oriented service provider, which is bundled with medical/health/wellness services by integrating with the Group's unique access to healthcare resources. The Group's business model is to develop a connectivity platform focusing on solutions involving information flows, i.e., better access, better communication and better connectivity, which is highly scalable and non-capital intensive. The Group's strategy is to build up and expand its proprietary consumer base by providing its head-count based services and products, leveraging its access to healthcare resources, communications infrastructures and distribution channels for consumer reach and service.

While generating significant value to the Group in its own right, the Harvest platform is a key link to integrate with the Group's healthcare resources to provide pre-paid health/wellness information-focused medical assistance products and services in China. Using Harvest platform and Shanghai Clinic's provision of in-house support and outsourcing coordination, and also in conjunction with a partnership with SMAN, the Group is in process of launching the issuance and distribution of Health Currency in Shanghai, i.e., the Group's medical/healthcare/wellness products and services bundled with other value added packages of consumer products and services on pre-paid basis. In addition to serving as an e-distribution and micro-payment solution platform for Health Currency in Shanghai, Harvest is at critical mass with regard to reaching the value inflection point in its own right, i.e., as a profitable e-commerce platform of multiple value drivers in China. Harvest is well positioned to become an independent spin-off that will yield significant value realization for the Group.

The Group has established a unique platform and model for business scale and growth, while seeking the right partners and opportunities to help access the substantial immediate opportunities. Hence, in addition to organic growth, the Group is also actively looking for partnerships and merger and acquisition opportunities of businesses that are in alignment and in synergy with its objectives, business model and strategy.

While the size of China's economy is a multiple of that of Italy's, its consumer market is only comparable to that of Italy's; and while China's GDP grows at more than 9% per annum and more than 25% of its population will be considered "aged" (i.e., at or more than 60 years old) by 2030, its GDP spending on healthcare is only less than 5% while that of US is more than 16%. As such with continuing support from the Group's investors and business partners and diligence from the Group's staffs, the Group is well-positioned for the coming fiscal year. We look forward to building and growing the Group's businesses, creating substantial values to consumers of our services, generating significant shareholders' value, and reporting back to shareholders as we take strides toward our goals.

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 2007.

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 2006. 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.

Mr. Zhou Bao Yi was re-designated from an independent non-executive director and a member of audit committee to an executive director of the Company with effect from 6 July 2007. In order to fulfill requirements of the Listing Rules 3.10 and 3.21, a new director will be appointed to replace the vacancy of Mr. Zhou’s previous position as an independent non-executive director and a member of audit committee of the Company in due course.

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 2007.

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
Dr. Li Zhong Yuan
Chairman

Hong Kong, 24 July 2007

* *For identification purpose only*

As at the date of this announcement, the Board comprises four executive Directors, namely, Dr. Li Zhong Yuan, Mr. Lee Jong Dae, Dr. Ni Aimin and Mr. Zhou Bao Yi, one non-executive Director, namely, Mr. Martin Treffer, and two independent non-executive Directors, namely, Mr. Mu Xiangming and Dr. Yan Shi Yun.