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 2008

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 2008 together with the comparative figures for the corresponding year ended 31 March 2007 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Turnover	3	**2,867,570**	1,632,961
Cost of sales and services		**(2,841,100)**	(1,620,215)
Gross profit		**26,470**	12,746
Other income	4	**11,411**	6,721
Distribution costs		**(7,480)**	(5,091)
Administrative expenses		**(40,645)**	(41,673)
Impairment losses for doubtful debts		**(407)**	(2,307)
Impairment losses of goodwill		**(493)**	(14,462)
Other operating expenses		**(8,450)**	(20,539)
Loss from operations		**(19,594)**	(64,605)
Finance costs	5	**(12,648)**	(9,011)
Gain on disposal of subsidiaries	6	**10,333**	–
Gain on disposal of an associate		**–**	236
Share of profits of an associate		**–**	8
Loss before tax		**(21,909)**	(73,372)
Income tax expense	7	**(2,091)**	(883)
Loss for the year	8	**(24,000)**	(74,255)
Attributable to:			
Equity holders of the Company		**(25,152)**	(73,210)
Minority interests		**1,152**	(1,045)
		(24,000)	(74,255)
Loss per share (HK$)	9		
– Basic		**(0.11)**	(0.31)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Note	2008 HK$'000	2007 HK$'000
Non-current assets			
Property, plant and equipment		**11,988**	15,894
Goodwill		**27,152**	30,877
Other intangible assets		**830**	1,917
Prepayment for acquisition of non-current assets		**6,889**	5,253
Interest in an associate		**1**	1
		46,860	53,942
Current assets			
Inventories		**14,513**	23,255
Trade receivables	*10*	**33,563**	18,638
Prepayments, deposits and other receivables		**14,147**	8,171
Loan receivables		**27,656**	20,434
Financial assets at fair value through profit or loss		**123**	345
Bank balances and cash		**59,579**	74,022
		149,581	144,865
Current liabilities			
Trade payables	*11*	**2,180**	552
Other payables and accrued liabilities		**30,450**	20,647
Amounts due to directors		**1,972**	5,311
Derivative component of convertible bonds	*12*	**4,237**	7,947
Derivative component of redeemable convertible cumulative preference shares	*13*	**48,559**	42,569
Current tax liabilities		**829**	330
		88,227	77,356
Net current assets		**61,354**	67,509
Total assets less current liabilities		**108,214**	121,451
Non-current liabilities			
Convertible bonds	*12*	**62,206**	66,643
Redeemable convertible cumulative preference shares	*13*	**90,607**	81,138
		152,813	147,781
NET LIABILITIES		**(44,599)**	(26,330)
Capital and reserves			
Share capital		**23,437**	23,437
Reserves		**(81,044)**	(62,496)
Equity attributable to equity holders of the Company		**(57,607)**	(39,059)
Minority interests		**13,008**	12,729
TOTAL EQUITY		**(44,599)**	(26,330)

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 its accounting year beginning on 1 April 2007. HKFRSs comprise Hong Kong Financial Reporting Standards; 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 polices 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 Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

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 2008

	Production and trading of biotechnology products *HK$'000*	Procurement of healthcare services *HK$'000*	E-commerce distribution of mobile pre-charge *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)**	**(7,681)**	**6,863**	**–**	**(5,360)**
Other income					**11,411**
Unallocated corporate expenses					**(25,645)**
Loss from operations					**(19,594)**
Finance costs					**(12,648)**
Gain on disposal of subsidiaries					**10,333**
Loss before tax					**(21,909)**

For the year ended 31 March 2007

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

Consolidated balance sheet
At 31 March 2008

	Production and trading of biotechnology products ***HK$'000***	**Procurement of healthcare services** ***HK$'000***	**E-commerce distribution of mobile pre-charge** ***HK$'000***	**Investment holding** ***HK$'000***	**Consolidated** ***HK$'000***
ASSETS					
Segment assets	**3,001**	**15,221**	**74,671**	**1**	**92,894**
Unallocated corporate assets					**103,547**
Consolidated total assets					**196,441**
LIABILITIES					
Segment liabilities	**532**	**3,509**	**14,065**	**–**	**18,106**
Unallocated corporate liabilities					**222,934**
Consolidated total liabilities					**241,040**

At 31 March 2007

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

Other information
For the year ended 31 March 2008

	Production and trading of biotechnology products *HK$'000*	**Procurement of healthcare services** *HK$'000*	**E-commerce distribution of mobile pre-charge** *HK$'000*	**Investment holding** *HK$'000*	**Unallocated corporate assets** *HK$'000*	**Consolidated** *HK$'000*
Additions:						
– Property, plant and equipment	**4,596**	**134**	**3,182**	**–**	**355**	**8,267**
Impairment losses for obsolete inventories	**–**	**25**	**–**	**–**	**–**	**25**
Impairment losses for doubtful debts	**7**	**130**	**4**	**–**	**266**	**407**
Impairment losses of goodwill	**–**	**–**	**493**	**–**	**–**	**493**
Amortisation of other intangible assets	**174**	**–**	**211**	**–**	**–**	**385**
Depreciation	**404**	**1,886**	**2,707**	**–**	**394**	**5,391**

For the year ended 31 March 2007

	Production and trading of biotechnology products *HK$'000*	Procurement of healthcare services *HK$'000*	E-commerce distribution of mobile pre-charge *HK$'000*	Investment holding *HK$'000*	Unallocated corporate assets *HK$'000*	Consolidated *HK$'000*
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 for obsolete 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	344	2,392	1,726	–	389	4,851

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 and healthcare services is as follows:

	2008 *HK$'000*	2007 *HK$'000*
Turnover		
Sales of biotechnology products	**5,884**	2,852
Revenue from E-commerce distribution of mobile pre-charge	**2,857,505**	1,627,076
Income of healthcare services	**4,181**	3,033
	2,867,570	1,632,961

4. OTHER INCOME

	2008 *HK$'000*	2007 *HK$'000*
Interest income on bank deposits	**1,458**	2,805
Other interest income	**1,136**	873
Reversal of impairment losses for doubtful debts	**–**	531
Government subsidies	**1,303**	665
Fair value gains (realised and unrealised) on financial assets at fair value through profit or loss	**–**	595
Fair value gain on derivative component of convertible bonds	**3,710**	–
Gain on repurchase of convertible bonds	**2,959**	–
Sundry income	**845**	1,252
	11,411	6,721

5. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on convertible bonds wholly repayable within five years	**3,179**	3,023
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	**9,469**	5,957
	12,648	9,011

6. DISPOSAL OF SUBSIDIARIES

On 31 January 2008, the Group disposed its entire equity interest in Power Ability Limited and its subsidiary, Shanghai Haoyuan Biotechnology Company Limited to an independent third party at a cash consideration of USD2,000,000 (equivalent to HK$15,600,000).

Net assets at the date of disposal were as follows:

	HK$'000
Property, plant and equipment	**4,348**
Other intangible assets	**851**
Goodwill	**3,232**
Inventories	**1,748**
Trade receivables	**1,205**
Prepayments, deposits and other receivables	**4,520**
Bank and cash balances	**895**
Trade payables	**(1,453)**
Other payables	**(4,033)**
Net assets disposed	**11,313**
Release of foreign currency translation reserve	**(343)**
Minority interests	**(6,462)**
Gain on disposal of subsidiaries	**10,333**
Total consideration, net of direct cost of disposal – satisfied by cash	**14,841**
Net cash inflow arising on disposal:	
Cash consideration received	**14,841**
Cash and cash equivalents disposed	**(895)**
	13,946

7. INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current tax – PRC		
Provision for the year	**2,079**	883
Under-provision in prior year	**12**	–
	2,091	883

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:

	2008	2007
	HK$'000	*HK$'000*
Loss before tax	**(21,909)**	(73,372)
Tax at the Hong Kong Profits Tax rate of 17.5%	**(3,834)**	(12,840)
Tax effect of income that is not taxable in determining taxable profit	**(8,073)**	(2,259)
Tax effect of expenses that are not deductible in determining taxable profit	**11,313**	16,350
Tax effect of losses not recognised due to uncertainty on future profit streams	**1,769**	139
Tax effect of difference on depreciation between tax and accounting purposes	**295**	39
Effect of different tax rates operating in other jurisdiction	**609**	(546)
Under-provision in prior year	**12**	–
Income tax expense	**2,091**	883

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax for domestic and foreign enterprises at 25%. The new tax law became effective from 1 January 2008.

8. LOSS FOR THE YEAR

Loss for the year is stated after charging/(credit) the following:

	2008	2007
	HK$'000	*HK$'000*
Amortisation of other intangible assets included in administrative expenses	**385**	330
Cost of inventories recognised as expenses (Note)	**2,480,318**	1,617,088
Depreciation	**5,391**	4,851
Fair value (gain)/loss on derivative component of convertible bonds	**(3,710)**	5,720
Fair value loss on derivative component of redeemable convertible cumulative preference shares	**5,990**	10,311
Impairment losses for obsolete inventories	**25**	700
Loss on disposal of property, plant and equipment	**2,460**	869

Note: 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 (2007: HK$813,000).

9. LOSS PER SHARE

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

	2008	2007
	HK$'000	*HK$'000*
Loss for the purposes of basic loss per share (loss for the year attributable to equity holders of the Company)	**(25,152)**	(73,210)

	2008	2007
Weighted average number of ordinary shares for the purpose of basic 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 loss per share was presented in both years.

10. TRADE RECEIVABLES

The normal credit period granted to customers of the E-commerce 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 allowance, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**32,953**	17,395
31 to 60 days	**254**	79
61 to 90 days	**347**	151
91 to 120 days	**–**	222
Over 120 days	**9**	791
Total	**33,563**	18,638

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

As at 31 March 2008, an allowance was made for estimated irrecoverable trade receivables of approximately HK$8,295,000 (2007: HK$8,742,000).

11. TRADE PAYABLES

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

	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**1,207**	444
31 to 60 days	**9**	5
61 to 90 days	**–**	12
91 to 120 days	**1**	23
Over 120 days	**963**	68
Total	**2,180**	552

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

12. CONVERTIBLE BONDS

	2008	2007
	HK$'000	*HK$'000*
Liability component of convertible bonds		
Convertible bonds issued with equity component *(note a)*	**44,565**	49,904
Convertible bonds issued with derivative component *(note b)*	**17,641**	16,739
	62,206	66,643
Derivative component of convertible bonds *(note b)*	**4,237**	7,947

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

	2008	2007
	HK$'000	*HK$'000*
In the second to fifth years inclusive	**62,206**	66,643

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 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. 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. The movement of the liability element is as follows:

	2008	2007
	HK$'000	*HK$'000*
At beginning of the year	**49,904**	48,992
Interest charged for the year	**2,277**	2,457
Interest paid for the year	**(1,459)**	(1,545)
Repurchase during the year	**(6,157)**	–
At end of the year	**44,565**	49,904

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 2008 to be approximately HK$49,583,000 (2007: HK$47,461,000). The fair value has been calculated by discounting the future cash flows at the market rate.

On 21 June 2007, the Group repurchased CB1 with principal amount of US$820,000 (equivalent to HK$6,396,000) at a consideration of US$410,000 (equivalent to HK$3,198,000).

(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 carries interests 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 fair value of the derivative component, representing the embedded options entitled to the holders of CB2, was estimated at the issuance and each balance sheet date using an option pricing model and the change in fair value of that component is recognised in the income statement.

The movement of the derivative and liability components of CB2 during the year is set out below:

	2008	2007
	HK$'000	*HK$'000*
Derivative component		
At beginning of the year/date of issue	**7,947**	2,227
Fair value (gain)/loss	**(3,710)**	5,720
At end of the year	**4,237**	7,947
Liability component		
At beginning of the year/date of issue	**16,739**	16,173
Interest charged for the year	**902**	566
At end of the year	**17,641**	16,739

The interest charged on CB2 for the year is calculated by applying an effective interest rate of 5.479% to the liability component.

The directors estimate the fair value of the liability component of CB2 at 31 March 2008 to be approximately HK$16,273,000 (2007: 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 and 31 March 2008 based on valuations by independent valuers, determined using option pricing models. The significant inputs to the models were as follows:

	2008	2007
Share price of underlying shares	**HK$0.40**	HK$1.45
Exercise price	**HK$1.16**	HK$1.16
Expected volatility	**81.0%**	74.9%
Expected life	**2.35 years**	1 year
Risk-free rate	**1.3%**	3.73%
Expected dividend yield	**Nil**	Nil

13. 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 carries dividend at 2% per annum, subject to adjustment to 5% on certain special events, payable semi-annually in arrears. The maturity date of the PS is falling on the fifth anniversary of 28 July 2006 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 fair value of the derivative component, representing the embedded options entitled to the holders of PS, was estimated at the issuance and each balance sheet date using an option pricing model and the change in fair value of that component is recognised in the income statement.

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

	2008	2007
	HK$'000	*HK$'000*
Derivative Component		
At beginning of the year/date of issue	**42,569**	32,258
Fair value loss	**5,990**	10,311
At end of the year	**48,559**	42,569

	2008	2007
	HK$'000	*HK$'000*
Liability component		
At beginning of the year/date of issue	**81,138**	75,181
Interest charged for the year	**9,469**	5,957
At end of the year	**90,607**	81,138

The interest charged for the year is calculated by applying the effective interest rate of 11.965% to the liability component.

The directors estimate the fair value of the liability component of PS at 31 March 2008 to be approximately HK$98,460,000 (2007: 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 at 31 March 2007 and 31 March 2008 based on valuations by independent valuers, determined using option pricing models. The significant inputs to the models were as follows:

	2008	2007
Share price of underlying shares	**HK$0.40**	HK$1.45
Exercise price	**HK$1.16**	HK$1.16
Expected volatility	**81.0%**	74.9%
Expected life	**3.32 years**	1 year
Risk-free rate	**1.6%**	3.7%
Expected dividend yield	**Nil**	Nil

FINAL DIVIDEND

The Group's Directors do not recommend the payment of a final dividend for the year ended 31 March 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2008, the Group reported a turnover of approximately HK$2,867.6 million, representing an increase of 76% as compared to HK$1,632.9 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$25.2 million as compared to approximately HK$73.2 million for the previous financial year. Basic loss per share for the year was HK$0.11 (2007: HK$0.31).

BUSINESS OPERATION

During the past financial year, the Group was principally engaged in provision of healthcare and consumer services and made steady and substantial progress in its business operations and validated a service platform which enables 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 achieve a dominant position in China as a consumer oriented service provider to embrace the mega trend, and to realize such a vision the Group's strategy is to build and scale up its proprietary consumer base via its head-count based and IT enabled services and products. To enable the implementation of such strategy, the Group aims to create unique and significant consumer value through a network based consumer and healthcare services platform, which leads to faster growth, higher scalability and greater geographical expansion in its business operation.

In order to position the operation of B-to-C consumer services to reach next levels, the Group made a further acquisition of the remaining 30% equity interest in Shanghai Harvest Network Technology Co., Ltd ("Harvest") and strengthened and augmented its management in first half of 2008. Harvest enjoys a dominant market share in mobile prepaid distribution in Shanghai through a network of over 6,200 retail outlets of distribution/settlement with over 3,500 POS terminals and is the Group's operating flagship in consumer services. This strategic acquisition positions the Group to embark on the course of rapid growth with the objective of becoming a leading distributor of prepaid and stored value cards in China.

The operation of B-to-B healthcare services, via the Group's operating flagship Beijing Universal Medical Assistance Co., Ltd ("BUMA'), has reached its value inflection point of positive operating cash flow. Given its highly scalable business model of prepaid head-count revenue; channel based distribution and IT enabled services and products, the Group has been scaling up the operation via expanding distribution of value added medical assistance services, which is currently a network of leading insurance companies and other channels of over two dozen and upgrading its management resources systematically since fall 2007. The operation enjoys a steadily growing customer-base with a core component of more than 1.5 million prepaid members for emergency medical assistance access via BUMA at present.

Review of B-to-C consumer services operation

The Group's business model is oriented around scale; growth; cash flow; product and technology standardization and expanding retail outlets of distribution and settlement. The Group is #1 distributor of mobile prepaid cards in Shanghai; achieved 70% penetration of convenience stores in Shanghai – the most comprehensive region in China; enjoyed an estimated 24% market share for China Mobile prepaid cards in Shanghai; and is a highly scalable and profitable operation. In Spring 2008, the Group decided to launch a strategic growth initiative to take the business to achieve accelerated rather than organic growth. In order to seize the opportunity to become a leading distributor of prepaid and stored value cards in China, the Group has taken steps to identify constrains in management; capital; expertise and technology and viable measures to remove them.

The Group is very pleased to report that Ms. Jane Zhang, who was Assistant President of CITIC Bank Shanghai with 25+ years of financial services experience in China, joined Harvest as its new General Manager in late March 2008 to lead the implementation of the Group's strategic growth initiative in consumer services, and in addition that the Group has also had continued success in upgrading its critical human resources of senior and middle managers in marketing; technology and channel management.

The strategic growth initiative entails expansion of geography; products and channels, i.e. expanding into viable coastal regions other than Shanghai in geography; viable prepaid and store-value cards other than mobile prepaid in products; and viable channels other than existing ones in Shanghai such as store chains of convenience stores and supermarkets; independent store operations and other small retail outlets etc. to increase economy of scale. The Group is fortunate to be able to draw upon world class expertise as global prospect to form its road map of strategic growth initiative, and in particular, the Group is in a position to consolidate its leadership as the first in China to employ a state of art global activation technology for stored value cards. China Telecom Shanghai has launched a campaign to place 500,000 terminals of fixed line phone with payment functions (the "Fixed Line Terminals") into households in Shanghai by 2010, and Directors are also pleased to report that as of this report the Group, via Harvest, has secured an exclusive contractual right to distribute mobile prepaid and others on such channels of Fixed Line Terminals, substantially augmenting an existing network of over 6,200 retail outlets of distribution/settlement with over 3,500 POS terminals in Shanghai.

Directors are pleased to report that the Group's consumer services business has had an increase of over 13% in terms of overall revenues as compared with the same period in 2007.

Review of B-to-B healthcare services operation

The Group's business model focuses on scale; growth; service standardization and cash flow; and is built around nationwide hospital access; prepaid head-count revenue; IT enabled services and products and channel based distribution. The travel related medical assistance is a prime focus of our healthcare service operation and the Group, via BUMA, has emerged as a leading provider of emergency medical assistance in China. Given the rapidly rising China related travel flows, either intra-China or China outbound or inbound China, and further stimulus by landmark events of 2008 Summer Olympics in Beijing and 2010 WorldExpo in Shanghai, the demand for travel related medical assistance is anticipated to have exponential growth.

As of this report, the Group, via BUMA, has secured more than 1.5 million prepaid members for its emergency medical assistance access services while members at September 2007 were about 460,000; and furthermore, has solidly validated the medical assistance business model as demonstrated by ongoing and steadily improving positive operating cash flows; rapidly increasing membership numbers; and a network of insurance companies including China PingAn etc. and other channels of over two dozen in aggregate as B-to-B distribution channels.

The Group is very pleased to report that Ms. Amy Yu, who is a successful entrepreneur and has built up her own financial; accounting; operational and managerial consulting business from scratch, joined BUMA as its new General Manager in October 2007 with overall responsibility of implementing the Group's development and growth in healthcare services, and to further augment and strengthen the operating team on the ground, the Group has subsequently brought a number of senior and middle managers in marketing; hospital access and customer services on board.

Having carefully reviewed the healthcare service operation up to 1st half of 2008 and macro environment of China at present and its outlook, in early July 2008 the Group also decided to map out a strategic growth initiative by September 2008, to enable its healthcare services business leap frog. The strategic growth initiative will entail deepening of nationwide hospital access; broadening of service products; widening of distribution channels; and sharpening of IT enablers.

Directors are pleased to report that the Group's healthcare services has had an increase of over 38% in terms of revenues and 35% decrease in net loss as compared with the same period in 2007.

Review of the Group's other activities

During the financial year, the Group reviewed its operation of two clinics with full fledged medical licenses held via its subsidiaries Shanghai (CHC) Medical and Health Services Ltd. and Beijing WeiChang Clinic Ltd. respectively and decided to limit the Group's resource exposure there as scale building as a healthcare provider will be much more capital and time intensive as opposed to opportunities in the Group's consumer and healthcare services operation. As such the Group has de-emphasized this operation through management outsourcings and is pleased to report that cash burning in both clinics have been turned into positive cash flows.

During the financial year, the Group also reviewed its operation of diagnostic reagents manufacturing and distribution and decided to dispose the manufacturing component to enable better focus on opportunities in the Group's consumer and healthcare services operation. The Directors are pleased to report that the disposal of the manufacturing component was completed in February 2008. The Group retained the distribution component of selling diagnostic devices/consumables into hospital labs, which is scalable and also synergetic with the Group's initiative in healthcare service operation of deepening access to hospitals nationwide.

The Directors are especially pleased to report that as of this report all operating subsidiaries of the Group are in positive operating cash flows.

Enhancing the Group's organization; chain of command; and administrative capacity, the Group is pleased to report that during the financial year, Mr. Zhou Bao Yi, who has many years of senior administrative experience in organizational management and was the CFO; President and Chairman of a large state-owned enterprise with more than 67,000 staffs and workers, became an Executive Director with overall responsibility in all finance and administration affairs for the Group; and Ms. Amy Yu, in addition to her responsibility as the General Manager of BUMA, became the Chief Operating Officer and Vice President in charge of all daily operating activities of the Group; and Mr. Fred Yoo, who has many years of senior operational experience in multi-nationals such as SWIFT and AIG etc., became a Vice President of International Operations.

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Company had no fund raising activities, and the Group's cash and cash equivalents amounted to approximately HK$59.6 million as at 31 March 2008.

The Group's total borrowings as at 31 March 2008 amounted to HK$152.8 million, all of which as represented by convertible bonds and preference shares.

On this basis, the gearing ratio is calculated at (2.65) (2007: (3.78)), based on an amount of shareholders' equity of HK$(57,607,000) (2007: HK$(39,059,000)).

CONTINGENT LIABILITIES

At 31 March 2008, 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 2008, the Group employed 130 (2007: 149) staff members. Total staff cost including Directors' emoluments was HK$16.9 million as compared to HK$17.2 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.

EVENTS AFTER THE BALANCE SHEET DATE

On 28 February 2008, Success Gateway Investments Limited ("Success Gateway"), a wholly owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Panjinfenyuan Technology Investment Limited ("Panjinfenyuan") whereby Success Gateway agreed to acquire the remaining 30% equity interest in Harvest from the minority equity holder, Panjinfenyuan, at a consideration of HK$41.5 million. On completion of the acquisition, Harvest become a wholly owned subsidiary of the Company. Details of the acquisition was set out in the Company's circular dated 29 April 2008. The transaction was approved by an ordinary resolution passed at the special general meeting held on 20 May 2008.

FUTURE PROSPECT

From a macro perspective of 20-year time horizon on China's consumer market 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 and becoming one of the largest consumer markets but lag in per-capita consumption, and such mega trend is creating world's largest growth opportunity in consumer services. Along with the growth in China's economy and consumption, China's demographic is trending towards that about 25% of its population will be ageing (i.e. at or more than 60 years older) by 2030.

To embrace the mega trend, the Group's vision is to achieve a dominant position in China as a consumer oriented service provider, and to realize such a vision, the Group's strategy is to build and scale up its proprietary consumer base via its head-count based and IT enabled services and products, and to implement such a strategy, the Group's business model is to develop a network based connectivity platform focusing on customer value, i.e., better access, better communication and better connectivity by leveraging its access to healthcare resources, communications infrastructures and distribution channels for consumer reach and services.

The Group's strategic growth initiatives in both B-to-C consumer service operation and B-to-B healthcare service operation aim to capture the right timing for accelerated expansion and growth, and with augmented and strengthened resources in management; expertise and capital, the Group's highly scalable business model and rich operating experience are in a position to enable rapid growth and quick scalability operationally. The Group is also creating synergy in consumer and healthcare services via prepaid and stored value cards in health ("Health Debit Card"). With its steadfast commitment and undivided attention to its objectives in consumer and healthcare services operations as the prime focus, the Group also is seeking the right partners and opportunities to help access the substantial immediate opportunities. Hence, in addition to organic growth, the Group is actively looking for partnerships and merger and acquisition opportunities of businesses that are in alignment and in synergy with its vision; strategy; and business model.

As such and with continuing support from the Group's investors and business partners and diligence and dedication from the Group's staffs, the Group is well-positioned for continued business expansion in coming years. 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 2008.

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 2007. 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 2008.

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, 25 July 2008

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

* *For identification purpose only*