



FORM 10-K

CHINA HEALTH CARE CORP - CNHL

Filed: December 29, 2008 (period: September 30, 2008)

Annual report which provides a comprehensive overview of the company for the past year

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended **September 30, 2008**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number **333-127016**

CHINA HEALTH CARE CORPORATION

(Exact name of registrant as specified in its charter)

Wyoming

(State or other Jurisdiction of Incorporation or
Organization)

98-0463119

(I.R.S. Employer Identification No.)

**T Plaza Center, Suite 400,
15950 North Dallas Parkway, Dallas**
(Address of Principal Executive Offices)

TX 75249
(zip code)

Registrant's telephone number, including area code: **(972) 361-8033**

Former name, former address and former fiscal year, if changed since last report: December

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
N/A	N/A

Securities registered pursuant to Section 12(g) of the Act: Common Stock, Par Value \$0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 the
Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section
15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13
or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period
that the registrant was required to file such reports) and (2) has been subject to such filing requirements
for the last 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of
this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive
proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated
filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller
reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [] No [X]

The aggregate market value of Common Stock held by non-affiliates of the Registrant on December 19, 2008 was \$1,882,034 based on a \$0.06 closing price for the Common Stock on December 19, 2008. For purposes of this computation, all executive officers and directors have been deemed to be affiliates. Such determination should not be deemed to be an admission that such executive officers and directors are, in fact, affiliates of the Registrant.

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.

50,148,000 Shares as of December 19, 2008

DOCUMENTS INCORPORATED BY REFERENCE

None.

PART I

Item 1. BUSINESS

Overview

The address of our principal executive office is T Plaza Center, Suite 400, 15950 North Dallas Parkway, Dallas. Our telephone number is (972) 361-8033.

Our common shares became listed on the OTC Bulletin Board on March 22, 2007, under the symbol "CVLG". Prior to this date, there was no public market for our common shares.

On May 13, 2008, the Secretary of State of Wyoming effected a change of name of our company from The Cavalier Group to China Health Care Corporation, as approved by our shareholders. The name change became effective with the Over-the-Counter Bulletin Board at the opening for trading on May 16, 2008 under the new stock symbol "CNHL".

History

China Health Care Corporation (the "Company") was incorporated in the state of Wyoming on February 11, 2005 under the name of The Cavalier Group. On May 13, 2008, the Secretary of State of Wyoming effected a change of the Company to China Health Care Corporation, as approved by our shareholders. On January 20, 2008, the Company entered into a share exchange agreement with United Premier Medical Group Limited ("UPMG") and its shareholders to acquire all of the outstanding common shares of UPMG. The transaction closed on July 24, 2008.

The share exchange transaction has been accounted for as a recapitalization of UPMG where the Company (the legal acquirer) is considered the accounting acquiree and UPMG (the legal acquiree) is considered the accounting acquirer. As a result of this transaction, the Company is deemed to be a continuation of the business of UPMG.

Accordingly, the financial data included in the accompanying consolidated financial statements for all periods prior to July 24, 2008 is that of the accounting acquirer (UPMG). The historical stockholders' equity of the accounting acquirer prior to the share exchange has been retroactively restated as if the share exchange transaction occurred as of the beginning of the first period presented.

United Premier Medical Group Limited ("UPMG") is a medical consultancy service provider in the People's Republic of China ("PRC") providing services in the areas of hospital management and specialty medical consultancy. UPMG's primary focus is the health care needs of women and children.

The business was founded in 2001, with UPMG as the ultimate holding company. UPMG was organized under the laws of Cayman Island on March 28, 2003, whereas UPMG International Limited ("UPMGI") was incorporated in the British Virgin Islands on September 15, 2003. The intention is to build the Company using a holding company structure, with a top-level entity owing interests in operating entities. Separate operating entities are established in each geographic region. At times, the company owns less than 100% of an operating entity because this enables the use of resources and expertise of local partners.

There were a number of restructuring events, which occurred over the past several years. These events would include:

- On July 19, 2001, UPMGI acquired 50% of the operating entity Proactive Medicare Enterprise (Hong Kong) Limited ("PME-HK"). At the same time, PME-HK held 90% in equity interest of the operating entity Shanghai Proactive Medicare Health Education Center Limited ("BK-SH").
 - On May 5, 2003, UPMG acquired 100% of UPMGI and hence UPMGI became a wholly-owned subsidiary of UPMG.
 - On March 17, 2004, UPMGI increased its ownership of the operating entity PME-HK from 50% to 100% and hence PME-HK became a wholly-owned subsidiary of UPMGI.
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- Pro-Innovative Holdings Limited (“PHL”), an investment holding company, was incorporated on January 22, 2004 with 51% in equity interest held by UPMG.
- On February 17, 2004, UPMG transferred all common shareholding in Ideamart Holdings Limited (“Ideamart”) to PHL. Ideamart, which incorporated on May 28, 2003, is a dormant company.
- On March 19, 2004, UPMG International (Guangdong) Limited (“UPMGIG”) increased its ownership of UPMG (Guangdong) Company Limited (“UPMGGC”) from 99% to 100%.
- On May 7, 2004, PHL transferred 100% of its ownership in UPMG (Hong Kong) Limited (“UPMG-HK”) and UPMG (US) Limited (“UPMG-US”) to UPMGI and hence UPMG-HK and UPMG-US became the wholly- owned subsidiaries of UPMGI.
- In April 2007, UPMG-HK disposed of its 100% interest in Broad Prosper Limited.

Current Structure & Basis of Presentation

The Company owned the following subsidiaries at September 30, 2008:

No.	Company Code	Company Name	Place of Incorporation	Date of Incorporation	Remark
0	CHCC	China Health Care Corporation	Wyoming USA	February 11, 2005	Serves as the ultimate holding company of the Group
1	UPMG	United Premier Medical Group Limited	Cayman Islands	March 28, 2003	Ultimate Holding Company
2	UPMGI	UPMG International Limited	British Virgin Islands	September 15, 2003	Subsidiary of UPMG
3	PME-HK	Proactive Medicare Enterprise (Hong Kong) Limited	Hong Kong	March 17, 2000	Wholly-owned subsidiary of UPMGI
4	PME-SZ	Proactive Medicare (Shenzhen) Company Limited	Hong Kong	September 24, 2004	Wholly-owned subsidiary of UPMGI
5	PME-CS	Proactive Medicare (Changsha) Company Limited	Hong Kong	July 2, 2004	Wholly-owned subsidiary of UPMGI
6	PME-XIA	Proactive Medicare (Xiamen) Company Limited	Hong Kong	December 22, 2004	Wholly-owned subsidiary of UPMGI
7	PME-NAN	Proactive Medicare (Nanjing) Company Limited	Hong Kong	September 24, 2005	Wholly-owned subsidiary of UPMGI
8	PME-HZ	Proactive Medicare (Hangzhou) Company Limited	Hong Kong	August 25, 2005	Wholly-owned subsidiary of UPMGI
9	PME-WX	Proactive Medicare (Wuxi) Company Limited	Hong Kong	April 19, 2004	Wholly-owned subsidiary of UPMGI
10	UPMG-SHA	United Premier Medical Group (Shanghai) Limited	Hong Kong	February 25, 2004	Wholly-owned subsidiary of UPMGI
11	PMS-HK	Proactive Medicare Services (Hong Kong) Limited	Hong Kong	January 30, 2004	Wholly-owned subsidiary of UPMGI
12	PME-BJ	Proactive Medicare (Beijing) Company Limited	Hong Kong	March 27, 2000	Wholly-owned subsidiary of UPMGI

13	UPMG-HK	UPMG (Hong Kong) Limited	British Virgin Islands	August 8, 2003	Wholly-owned subsidiary of UPMGI
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No.	Company Code	Company Name	Place of Incorporation	Date of Incorporation	Remark
14	UPMG-US	UPMG (US) Limited	British Virgin Islands	November 23, 1993	Wholly-owned subsidiary of UPMGI
15	HB-GZ	Guangzhou Inno-Proactive Medicare Consultancy Ltd.	PRC	October 26, 2004	Wholly-owned subsidiary of PMEHK
16	BK-SH	Shanghai Proactive Medicare Health Education Center Limited	PRC	February 5, 2002	90% of common shareholding held by PMEHK
17	UBK-SZ	UPMG (Shenzhen) Limited	PRC	January 5, 2006	Wholly-owned subsidiary of UPMG-
18	UPMG-MU	UPMG (Macau) Company Limited	Macau	September 29, 2006	50% of common shareholding held by UPMG-HK
19	PHL	Pro-Innovative Holdings Limited	British Virgin Islands	January 22, 2004	51% of common shareholding held by UPMG
20	PML	Pro-Innovative Medical Limited	Hong Kong	December 8, 2003	Wholly-owned subsidiary of PHL
21	Ideamart	Ideamart Holdings Limited	British Virgin Islands	May 28, 2003	Wholly-owned subsidiary of PHL
22	UPMGIG	UPMG International (Guangdong) Limited	British Virgin Islands	August 29, 2003	62% of common shareholding held by
23	UPMGGC	UPMG (Guangdong) Company Limited	Hong Kong	August 14, 2002	Wholly-owned subsidiary of

The consolidated financial statements include the accounts of the Company and its consolidated subsidiaries. UPMG wholly owns UPMGI, which in turn directly holds 12 wholly-owned subsidiaries and indirectly holds 4 subsidiaries including HB-GZ (100% in equity interest), BK-SH (90% in equity interest), UBK-SZ (100% in equity interest) and UPMG-MU (50% in equity interest). Besides, UPMG holds 51% in equity interest of PHL, which in turn, wholly owns two direct subsidiaries and holds 62% in equity interest of UPMGIG, which in turn wholly owns UPMGGC

Business

The Company provides consultancy services to the VIP Maternity & Gynecological Centers (the “VIP Birthing Centers”) in the PRC. These services are provided in conjunction with Johns Hopkins International, LLC, a U.S. based healthcare provider, and based upon a Consultancy Agreement with JHI. The first VIP Birthing Center commenced operations in October 2002 at the International Peace Maternity & Child Health Hospital in Shanghai. Over the past six years, the Company has signed co-operative agreements with a number of hospitals in Obstetrics / Gynecology (“OB/GYN”) across the PRC in cities including Beijing, Shanghai, Guangzhou, Foshan, Wuxi, Xiamen, Changsha and Hangzhou. In 2006, the Company signed a management agreement with the University Hospital at Macau University of Science and Technology (“UH-MUST”) whereby the Company provides general hospital management consultancy service.

The Company is currently under contracts to provide consultancy services to a total of five VIP Birthing Centers in the PRC and to manage a private hospital in Macau. These centers are located in Wuxi (“the Wuxi Center”), Xiamen (“the Xiamen Center”), Changsha (“the Changsha Center”), Foshan (“the Foshan Center”) and Hangzhou (“the Hangzhou Center”). The Wuxi Center, the Xiamen Center and the hospital in Macau are operated under our service contracts, and the Company receives a monthly fee for our services. The Company has had difficulty enforcing these contracts, and three of the VIP Birthing Centers have ceased complying with our payment terms (the Changsha Center, the Foshan Center, and the Hangzhou Center). The Company engaged lawyers to negotiate with the host hospitals for settlement. The Company also had a VIP Birthing Center in Shanghai (“the Shanghai Center”). The Company has not been paid by the Shanghai Center since January 2006 and it has taken legal action against the host hospital for breach of contract.

The Company had an additional VIP Birthing Center in Guangzhou (“the Guangzhou Center”) which ceased its operation in March 2007. Our invested assets were sold back to its host hospital. Our net receipt on this asset sale amounted to \$1,296,944. For the abovementioned centers that the Company has difficulty enforcing our contracts, it has not accrued any revenue for the years ended September 30, 2007 and 2006.

Sales and Marketing

So far, most hospitals in China still rely heavily on referrals and repeat customers. Having established our “UPMG” brand awareness in China, we have the marketing strategy mainly based on the “Words of Mouth” from our patients, medical professionals and industry expert in terms of three major directions.

1) Reaching the Right Targets

We focus on the more affluent peers like high-end community groups, residential clubhouses, chambers of commerce and corporate clients and emphasize value added services like Patient Safety, Customer Service, Help Desk and Healthcare Education.

2) Membership System

Membership-based hospitals are very popular among the high-income community in affluent PRC cities like Shanghai. This system helps linking up our prenatal care program, postnatal care program, well women program and well baby program. We offer membership to first-time patients who are then entitled to certain benefits like annual medical checkup and 24-hour house call. Other value-added services include computerized health records, which are accessible on the Internet, hence making them possible to conduct long-distance joint consultation with experts in other parts of the world.

3) Recruitment of Healthcare Professionals Through Wu Ji Ping Foundation

The Wu Ji Ping Foundation has an extensive hospital network and great connections with the PRC government officials, which are of great help to recruit high quality medical professionals – an effective means to retain our customers.

Employees

The Company currently has three officers. Siew Man Pang is the chief executive officer, Edwin Chan is the chief financial officer and Dr. Kenneth Lee is the chief operating officer. UPMG also employs a total of 12 employees

and consultant in Hong Kong and the PRC, including one deputy project director, three managers, four assistants, three general staff and one consultant. The Company is not a party to any collective bargaining agreement. We believe our relations with the Company employees are satisfactory.

Item 1A. RISK FACTORS

Risks Related to our Business

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company had a net loss of \$2,719,503 and a negative cash flow from operations of \$1,139,328 for the year ended September 30, 2008 and a working capital deficiency of \$4,842,080 and a shareholders' deficit of \$4,944,873 at September 30, 2008. These matters raise substantial doubt about the Company's ability to continue as a going concern if the Company does not secure new outside financing. The Company is currently and continues to make efforts to procure outside financing to strengthen its financial position.

We have a limited operating history, and it is difficult to evaluate our financial performance and prospects. There is no assurance that we will achieve profitability or that we will not discover problems with our business model.

We have a limited operating history. As such, it is difficult to evaluate our future prospects and performance, and therefore we cannot ensure that we will operate profitably in the future.

We have limited funds available for operating expenses. If we do not obtain funds when needed, we will have to cease our operations.

Currently, we have limited operating capital. As of September 30, 2008, our cash available was approximately \$229,567. In the foreseeable future, we expect to incur significant expenses when developing our business. We may be unable to locate sources of capital or may find that capital is not available on terms that are acceptable to us to fund our additional expenses. There is the possibility that we will run out of funds, and this may affect our operations and thus our profitability. If we cannot obtain funds when needed, we may have to cease our operations.

We depend on attracting and retaining qualified employees, the failure of which could result in a material decline in our revenues.

We are a provider of healthcare consultancy services. Our revenues and future growth depend on our ability to attract and retain qualified employees. This is especially crucial to our business, as these employees will generate revenue by providing the services that are the staple product that we offer. We may face difficulties in recruiting and retaining sufficient numbers of qualified employees because the market may not have enough of such personnel. In addition, we compete with other companies for qualified employees. If we are unable to retain such employees, we could face a material decline in our revenue.

We derive most of our revenue from treatment facilities rested with our host hospitals that are located in the People's Republic of China, which makes us particularly sensitive to regulatory and economic conditions in those cities where our facilities are, or will be located.

For the year ended September 30, 2008, our facilities rested with our host hospitals in the People's Republic of China, or the PRC, accounted for most of our total revenue. If our treatment facilities are adversely affected by changes in regulatory and economic conditions within China, our revenue and profitability may decline.

We may have difficulty opening new medical facilities and operating them profitably. We have limited experience in opening new treatment facilities. If we are unable to execute our strategy, our growth may be restrained and our operating results could be adversely affected.

Our growth strategy includes developing and opening new medical facilities throughout the PRC, and, to date, we have limited experience in opening new treatment facilities. Planning and opening new treatment facilities can be complex and may be delayed, and, in some circumstances, prevented, by a variety of forces, including local zoning and land use regulations, health facility licensing, community opposition and other political issues. Healthcare laws and other rules and regulations may also impede or increase the cost of opening new facilities. If we are unable to open new treatment facilities on time and on budget, our rate of growth and operating results may be adversely affected.

Even if we are able to open new treatment facilities, we may not be able to staff them. In addition, there can be no assurance that, once completed, new treatment facilities will be able to generate operating profits. Developing new

facilities involves significant upfront capital investment and expense and, if we are unable to attract patients quickly and/or enter into contracts or extend our existing contracts with third party payers for these facilities, these facilities may not be profitable and our operating results could be adversely affected.

If we fail to cultivate new or maintain established relationships with patient referral sources, our revenue may decline.

Our ability to grow or maintain our existing level of business depends significantly on our ability to establish and maintain close working relationships with patient referral sources. We may not be able to maintain our existing referral source relationships or develop and maintain new relationships in existing or new markets. If we lose existing relationships with our referral sources, the number of patients we treat may decline, which may adversely affect our revenue. If we fail to develop new referral relationships, our growth may be restrained.

If we fail to implement our business strategy, our business, financial condition and results of operations could be materially and adversely affected.

Our future financial performance and success are dependent in large part upon our ability to implement our business strategy successfully. We may not be able to implement our business strategy successfully or achieve the anticipated benefits of our business plan. If we are unable to do so, our long-term growth and profitability may be adversely affected. Even if we are able to implement some or all of the initiatives of our business plan successfully, our operating results may not improve to the extent we anticipate, or at all.

If we fail to use the brand of Johns Hopkins International, our financial condition and results of operations could be materially and adversely affected.

Our current performance and success are dependent in certain extent upon the educational and consulting services provided by Johns Hopkins International, LLC. If we are unable to receive such services, our profitability may be adversely affected and our operating results may not improve to the extent we anticipate.

Our success depends on our ability to manage growth effectively. If we do not manage growth effectively, we may not be able to maintain profitability.

Even if we are successful in generating new business, failure to manage our growth could adversely affect our financial condition. We may experience extended periods of very rapid growth. If we are not able to manage our growth effectively, our business and financial condition could materially suffer. Our growth may significantly strain our managerial, operational and financial resources and systems. To manage our growth effectively, we will have to continue to implement and improve our operational, financial and management controls, reporting systems and procedures. In addition, we must effectively expand, train and manage our employees. We will be unable to manage our businesses effectively if we are unable to alleviate the strain on resources caused by growth in a timely and successful manner. We may not be able to manage our growth and a failure to do so could have a material adverse effect on our business.

If the PRC government finds that the agreements that establish the structure for operating our business operations within the PRC do not comply with PRC governmental regulations on foreign investment in the medical industry, we could be subject to penalties. Such penalties may impact our ability to maintain profitability.

If we or our operating subsidiaries or affiliates are found to be in violation of any existing or future PRC laws or regulations, we could be subject to severe penalties, including but not limited to: (i) revocation of our business and operating licenses; (ii) discontinuing or restricting our operations; (iii) imposition of conditions or requirements with which we may not be able to comply; (iv) requirement that we restructure the relevant ownership structure or operation; and (v) restriction or prohibition on our use of the proceeds of our business operations to further finance our operations in the PRC.

We rely on contractual arrangements with PRC obstetric and gynecologic hospitals, which may not be as effective in providing operational control as direct ownership. If we cannot maintain these arrangements, we may have to cease operations.

We rely on contractual arrangements with PRC obstetric and gynecologic hospitals to operate our business. These contractual arrangements may not be as effective in providing us with control over our operations as direct ownership. Under the current contractual arrangements, if the PRC obstetric and gynecologic hospitals fail to perform their respective obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements and rely on legal remedies available under PRC law, which may not be effective to allow

us to maintain our business operations. Additionally, many of these contractual arrangements are governed by PRC law and, accordingly, will be interpreted in accordance with PRC law, and any disputes would be resolved according to PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements, we may not be able to exert effective control over our operations, and our ability to conduct our business may be negatively affected.

Contractual arrangements we have entered into among our subsidiaries and affiliated entities may be subject to scrutiny by the PRC tax authorities. Such scrutiny may lead to additional tax liability and fines, which would hinder our ability to achieve or maintain profitability.

Risks Relating to the People's Republic of China

Substantially all of our assets are located in the PRC and substantially all of our revenues are derived from our operations in the PRC. Accordingly, our business, financial condition, results of operations, and prospects are subject, to a significant extent, to economic, political and legal developments in the PRC.

The PRC's economic, political and social conditions, as well as governmental policies, could affect the financial markets in the PRC, our liquidity and access to capital, and our ability to operate our business.

Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and to guide the allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in the PRC are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over its economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Since late 2003, the PRC government has implemented a number of measures, such as raising bank reserves against deposit rates to place additional limitations on the ability of commercial banks to make loans and raise interest rates, in order to slow down specific segments of the PRC's economy. These actions, as well as future actions and policies of the PRC government, could materially affect our liquidity and access to capital and our ability to operate our business.

The PRC legal system embodies uncertainties which could limit the legal protections available to us.

The PRC legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation has been significantly enhanced protections afforded to various forms of foreign investment in the PRC. However, these laws, regulations and legal requirements change frequently, and their interpretation and enforcement involve uncertainties. For example, we may have to resort to administrative and court proceedings to enforce the legal protection that we enjoy either by law or contract. However, because PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. In addition, such uncertainties, including the inability to enforce our contracts, could materially and adversely affect our business and operation. Also, intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries. Accordingly, we cannot predict the effect of future developments in the PRC legal system, particularly with regard to the medical industry, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us.

U.S. investors may experience difficulties in attempting to enforce judgments based upon U.S. federal securities laws against us and our non-U.S. resident directors.

All of our operations and our assets are located outside the United States and some of our directors and officer are foreign citizens. As a result, it may be difficult or impossible for U.S. investors to enforce judgments of U.S. courts for civil liabilities against any of our individual directors or officers.

Risks Relating to Our Common Shares

Trading on the OTC Bulletin Board may be volatile and sporadic, which could depress the market price of our common shares and make it difficult for our shareholders to resell their shares.

Our common shares are quoted on the OTC Bulletin Board service. Trading in shares quoted on the OTC Bulletin Board is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common shares for reasons unrelated to operating performance. Moreover, the OTC Bulletin Board is not a stock exchange, and trading of securities on the OTC Bulletin Board is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like Amex. Accordingly, shareholders may have difficulty reselling any of the shares.

Our share is a penny stock. Trading of our share may be restricted by the SEC's penny stock regulations which may limit a shareholder's ability to buy and sell our shares.

Our share is a penny stock. The Securities and Exchange Commission has adopted Rule 15c-2-07 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules; the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the shares that are subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common shares.

FINRA sales practice requirements may also limit a shareholder's ability to buy and sell our share.

In addition to the "penny stock" rules promulgated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority, or FINRA, has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common shares, which may limit your ability to buy and sell our share.

Trends, Risks and Uncertainties

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our common shares.

Item 1B. Unresolved Staff Comments

None.

Item 2. Description of Properties

Our principal office is located at T Plaza Center, Suite 400, 15950 North Dallas Parkway, Dallas. Our telephone number is (972) 361-8033. Our principal office is held under a one year lease to expire on August 2009. We rent this office space at a cost of \$95 per month plus administrative expenses. We believe that the condition of our principal office is satisfactory, suitable and adequate for our current needs.

We also maintain our office in Hong Kong at Room 904, Tung Wai Commercial Building, 109 – 111 Gloucester Road, Wan Chai, Hong Kong. Our telephone number is (852) 2511-8008. Our Hong Kong office is held under a lease with a term from August 1, 2008 to June 15, 2009 with rent of HK\$30,000 per month.

We also maintain an office in mainland China at Room 1601, Building B, Tomson Center, 188 Zhangyang Road, Shanghai, the PRC. Our telephone number is (86) 21-6225-1595. Our Shanghai office is held under a lease with a term from June 20, 2008 to June 30, 2009 with rent of RMB16,700 per month.

ITEM 3. Legal Proceedings

Other than as disclosed below, we know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our company.

Proactive Medicare Enterprise (HK) Limited, a subsidiary of UPMG, is a plaintiff of a legal proceeding regarding a civil claim against a hospital in the PRC namely, International Peace Maternity & Child Health Hospital of the China Welfare Institute (“IPMCHH” or the “defendant”) who refused to pay consultancy fees to PME-HK since April 2005.

On April 10, 2007, Proactive Medicare Enterprise (HK) Limited (“PME-HK”) brought a civil action to the Shanghai No. 1 Intermediate People’s Court (the “Shanghai Court”) in the PRC against IPMCHH for breach of contract. A statement claim from PME-HK was sent to the Shanghai Court for acceptance of review. The proposed claims regarding this civil action included: (i) To order IPMCHH to honor the co-operative agreement signed between PME-HK and IPMCHH on February 2, 2004; (ii) To order IPMCHH to pay the consultant fee amounted \$2,890,000 (equivalent to RMB22,677,123) in arrears owed to PME-HK, and (iii) IPMCHH shall bear the cost of this action.

On April 12, 2007, the statement of claim was legally accepted and filed by the Shanghai Court (Notification of Acceptance: (2007) Hu Yi Zhong Min Wu (Shang) Chu Zi No. 93). On May 29, 2007, the first instance of the case was held to establish the case. On January 23, 2008, the second instance of the case was held to further negotiate a mutually accepted settlement plan. Through the mediation of the Shanghai Court, PME-HK and IPMCHH, so far, have gone through several rounds of negotiation for a mutually agreed settlement amount in recent months but a final settlement amount has yet to be confirmed

We have also engaged a law firm in the PRC to negotiate with another two hospitals in the PRC which are under contracts to pay us for the consultancy services provided to their affiliated VIP Birthing Centers in Foshan and Changsha in the PRC. The proposed claim in each case is about one million US dollars. We have gone through

several rounds of negotiation for an agreed settlement amount in recent months and a final settlement amount has yet to be confirmed. For the Hangzhou Center, we are identifying a suitable PRC lawyer to negotiate with the host hospital for a mutually accepted settlement plan.

The results of these negotiations / claim cannot be predicted, and it is possible that the ultimate resolution of these matters, individually or in the aggregate, may have a material adverse effect on our business (either in the near-term or in the long-term), financial position, results of operations, or cash flows. Although our management believes a portion of our investment in these affiliated VIP Birthing Centers may be recovered, we have reasonably estimated the uncertain portion and have eliminated their revenue contribution in 2007.

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of our security holders either through solicitation of proxies or otherwise in the fourth quarter of the fiscal year ended September 30, 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our shares of common stock began trading on the OTC Bulletin Board on March 21, 2007 under the symbol "CVLG". Prior to this date, there was no public market for our common shares. On May 13, 2008, we effected a change of name of our company from The Cavalier Group to China Health Care Corporation. The name change became effective with the OTC Bulletin Board at the opening for trading on May 16, 2008 under the new stock symbol "CNHL".

The following table reflects the high and low bid information for our common stock obtained from Stockwatch and reflects inter-dealer prices, without retail mark-up, markdown or commission, and may not necessarily represent actual transactions.

The high and low bid prices of our common stock for the periods indicated below are as follows:

National Association of Securities Dealers OTC Bulletin Board		
Quarter Ended	High	Low
September 30, 2008 ⁽¹⁾	\$0.63	\$0.63
June 30, 2008 ⁽²⁾	\$1.25	\$1.25
March 31, 2008	\$3.60	\$3.50

- (1) This refers to the trade record on September 16, 2008. There was no trading record during the period from September 16, 2008 to September 30, 2008.
- (2) This refers to the trade record on May 30, 2008. There was no trading record during the period from May 30, 2008 to June 30, 2008.

On December 19, 2008, the closing price for the common stock as reported by the quotation service operated by the OTC Bulletin Board was \$0.06.

As of December 19, 2008, there were 133 holders of record of our common stock. As of such date, 50,148,000 common shares were issued and outstanding.

Our common shares are issued in registered form. The registrar and transfer agent for our shares of common stock is Pacific Stock Transfer Company (Telephone: 702-361-3033).

Item 6. Selected Financial Data

As a "smaller reporting company", we are not required to provide the information required by this Item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Cautionary Statement Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements as that term is defined in section 27A of the United States Securities Act of 1933, as amended, and section 21E of the United States Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance. In some cases, you can

identify forward-looking statements by terminology such as "may", "should", "intends", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" commencing on page 3 of this current report, which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. Unless otherwise specified, all dollar amounts are expressed in United States dollars.

As used in this quarterly report, the terms "we", "us" and "our" refer to China Health Care Corporation and our subsidiaries, unless otherwise indicated. All references to "common shares" refer to the common shares in our capital stock.

Overview

The following discussion should be read in conjunction with our financial statements and the related notes included herein. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in the section entitled "Risk Factors".

Our financial statements are stated in United States Dollars and are prepared in accordance with United States generally accepted accounting principles.

We were incorporated in the State of Wyoming on February 11, 2005 as The Cavalier Group with a fiscal year end of May 31. Since our incorporation, we had been in the business of the exploration and development of a mineral property approximately 1,320 acres in size in north-eastern Ontario. Because we were not successful in implementing our business plan, we considered various alternatives to ensure the viability and solvency of our company.

On January 20, 2008, we entered into a share exchange agreement with United Premier Medical Group Limited, a Cayman corporation, and the shareholders of United Premier Medical Group Limited, a company engaged in the provision of premium medical services in the People's Republic of China. The share exchange agreement contemplated our company acquiring all of the issued and outstanding common shares in the capital of United Premier Medical Group Limited in exchange for the issuance by our company of 42,658,000 shares of our common stock.

On July 24, 2008, we changed our fiscal year end from May 31 to September 30.

On September 15, 2008, we change our fiscal year end from September 30 to December 31. We intend to file a Form 10-K for our new fiscal year ended December 31, 2008 on or before March 31, 2009.

On September 15, 2008, we engaged Samuel H. Wong & Co., LLP as our principal independent accountant with the approval of our company's board of directors. Accordingly we dismissed Cordovano and Honeck LLP on September 15, 2008.

On October 1, 2008, Mr. Henry J. Macfarland resigned as our Chief Executive Officer. Mr. Macfarland will continue to act as our Senior Group Advisor. As a result of Mr. Macfarland's resignation on October 1, 2008, we appointed Mr. Siew Man Pang as our Chief Executive Officer.

As of the closing date of the share exchange agreement on July 24, 2008, we have contracts to provide consultancy services to a total of five VIP Birthing Centers in the PRC and to manage a private hospital in Macau. These centers are located in Wuxi (“the Wuxi Center”), Xiamen (“the Xiamen Center”), Changsha (“the Changsha Center”), Foshan (“the Foshan Center”) and Hangzhou (“the Hangzhou Center”).

Our future business will typically consist of three major revenue drivers, namely, VIP Birthing Center, Satellite Health Center and Specialty Hospital.

VIP Birthing Center is typically a hotel-style integrated healthcare center consisting of 11 to 30 bedrooms. These centers are specialized in providing premium obstetric and gynecologic services to high-income locals and expatriates in the PRC. We emphasize home-feel facilities and environment, professional clinical services, sophisticated clinical indicators and reviews, high-end customer services, effective pain management and infection control - all of them have attained the stringent U.S. quality standards. More importantly, our customized and personalized services provide much flexibility and allow our patients to choose their own specialty medical services and surgery experts. To ensure service quality, safety and patient privacy, our one-stop services is a continuous flow ranging from ultrasound diagnosis, laboratory analysis to dispensary.

Satellite Health Center provides full scope of premium outpatient services. Strategically, it is better than the VIP Birthing Centers in the sense that we own the operating license of the clinic and hence has full control of revenue received. Such business model can substantially increase the flexibility in utilizing our resources in outpatient services. Besides, it will play an important role in the overall network development of our specialty hospitals by referring patients to specialty hospitals.

Specialty Hospital Chain refers to a chain of medium size hospitals in the PRC providing specialty healthcare services primarily for women and children. For the coming years, we target to acquire a number of hospitals and convert them into specialty hospitals with outpatient services, inpatient services and minor surgery services principally in the categories of Obstetrics, Gynecology, Pediatrics, Urology and Infertility.

Results of Operations for the Year Ended September 30, 2008 as compared to the Year Ended September 30, 2007

	<u>Years ended September 30,</u>		<u>Increase (decrease)</u>	
	<u>2008</u>	<u>2007</u>	<u>Amount</u>	<u>Percentage</u>
	<u>(\$)</u>	<u>(\$)</u>	<u>(\$)</u>	<u>(%)</u>
Revenue	545,884	588,157	(42,273)	(7.19%)
Cost of revenue	168,112	152,184	15,928	10.47%
Gross profit	377,772	435,973	(58,201)	(13.35%)
Other income (expenses)	(243,016)	(899,085)	656,069	(72.97%)
Selling expenses	(137,478)	(150,978)	(13,500)	(8.94%)
General & administrative expenses	(2,660,829)	(971,275)	1,689,554	173.95%
Provision for income tax	20,110	20,512	(402)	(1.96%)
Minority interests in net income (loss)	19,831	19,902	(71)	(0.36%)
Gain (loss) from discontinued operations, net of taxes	(55,673)	379,454	(435,127)	(114.67%)
Net loss attributable to common shareholders	(2,719,503)	(1,026,521)	(1,692,982)	164.92%

Revenue

The Company's revenues are derived from its share of operating profit from VIP Birthing Centers at hospitals where it has invested in capital equipment, leasehold improvements, and human capital in the form of technical training for hospital staff. The Company's share of operating profit from the VIP Birthing Centers depends upon the contractual terms with each hospital. Financial statements are provided by the hospitals each month to the Company for review, verification, and approval. When the financial statements of the VIP Birthing Centers have been approved, the Company recognizes revenue by recording its portion of the total operating profit to its financial statements. Revenues that have been both recognized in accordance to their respective contracts and financial statements provided by the hospitals can be reasonably expected to be collectible.

Revenue for the year ended September 30, 2008 was \$545,884. Revenue for the year ended September 30, 2007 was \$588,157. The decrease in revenue of \$42,273 for the year ended September 30, 2008 was primarily due to the (i) absence of revenue contribution from the Changsha Center, (ii) revised management fee of the Macau Center, and (iii) absence of a non-recurrent income from trading of baby beds as incurred in 2007. The Changsha Center had ceased paying us service fee since June 2007 and we agreed to revise the monthly service fee of the Macau Center from about \$12,820 (equivalent to HK\$100,000) to about \$5,128 (equivalent to HK\$40,000) effective from June 2007.

Cost of Revenue

Cost of revenue is primarily comprised of depreciation, wages, and licensing fees that must be paid to JHI for facilities with continuing operation. The Company believes that the depreciation of property and equipment matches the substantial initial investment equipment and leasehold improvements with revenues that are earned overtime. The Company charges wages paid to doctors and medical personnel who provide the initial training and hospital management expertise to the hospital when the VIP Birthing centers are initially setup and on a non-fixed on-going basis. Cost of revenue for the year ended September 30, 2008 was \$168,112 whilst cost of revenue for the year ended September 30, 2007 was \$152,184.

Selling Expenses

Selling expenses are comprised of client entertainment, commissions and salaries for sales personnel, marketing, and travel and lodging expenses. Selling and marketing expenses for the year ended September 30, 2008 was \$137,478. Selling and marketing expenses for the year ended September 30, 2007 was \$150,978. The decrease in selling

expenses of \$13,500 for the year ended September 30, 2008 as compared to 2007 was primarily due to the decrease in travel expenses related to business development.

General and Administrative Expenses

General and administrative expenses include outside consulting services, research & development, executive compensation, quality control, and general overhead such as finance and administrative staff, and depreciation expense. General and administrative expenses for the year ended September 30, 2008 was \$2,660,829. Administrative expenses for the year ended September 30, 2007 was \$971,275. The increase in administrative expenses of \$1,689,554 for the year ended September 30, 2008 as compared to 2007 was primarily due to the increase in consultancy fees and professional fees incurred in the public listing process of the Company.

Other Income (Expenses)

The interest expenses under this category principally referred to dividend expenses paid to Convertible Preference Shares (“CPS”) holders and the loan interests paid to Innotech. During the period from June 30, 2005 to March 10, 2007, we issued a total of 4,605 Convertible Preference Shares at a subscription price of \$2,500 per share to a number of investors. The CPS bear an annual coupon rate of 8%, semi-annually in terms of either cash or the common shares of UPMG, with a maturity period of 3 years, allowing for an extension of 1 year. The CPS bear no voting right and each CPS will be converted to one common share of UPMG upon its public listing. Subject to the public listing of UPMG, the conversion is mandatory and must be completed 14 days before the public listing of UPMG. The redemption price will be the subscription price plus a 2% premium. We incurred dividend expenses of \$148,324 for the year ended September 30, 2008 and \$913,700 for the year ended September 30, 2007. The decrease in dividend expense of \$765,376 for the year ended September 30, 2008 was primarily due to the conversion of some CPS to common shares and we have stopped paying dividends to CPS holders since December 2007.

Income Tax

The Company accounts for income tax using an asset and liability approach and allows for recognition of deferred tax benefits in future years. Under the asset and liability approach, deferred taxes are provided for the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either, expire before the Company is able to realize their benefits, or future realization is uncertain. In accordance with the relevant tax laws and regulations of Hong Kong, the Corporate Income Tax (“CIT”) rate applicable to our subsidiaries in Hong Kong is 17.5% of taxable income. On March 16, 2007, the National People’s Congress of China approved the Corporate Income Tax Law of the People’s Republic of China (the “new CIT Law”), effective from January 1, 2008. Under the new CIT Law, the corporate income tax rate applicable to our subsidiaries in the PRC starting from January 1, 2008 will be 25%, replacing the currently applicable tax rate of 33%. We recorded income tax expense amounted to \$20,110 and \$20,512 for the years ended September 30, 2008 and 2007 respectively.

Minority Interest

Minority interest recorded an income of \$19,831 and \$19,902 for the years ended September 30, 2008 and 2007 respectively. The decrease in minority interest of \$71 for the year ended September 30, 2008 was primarily due to the decrease in shared loss of a VIP Center.

Net Loss Attributable to Common Shareholders

For the year period ended September 30, 2008, the Company incurred a net loss attributable to common shareholders of \$2,719,503. The loss was primarily due to the decrease in revenue and the increase in general and administrative expenses. For the year ended September 30, 2007, the Company incurred a loss of \$1,206,521. The loss was primarily due to the dividends paid to the convertible preference shareholders.

Liquidity and Capital Resources

As of September 30, 2008, our total assets were \$1,499,720 and our total liabilities were \$6,203,137 and we had a working capital deficit of \$4,842,080. Our financial statements report a net loss of \$2,719,503 for the year ended September 30, 2008, and a net loss of \$26,735,306 for the period from inception to September 30, 2008.

During the year ended September 30, 2008, the Company financed its operation mainly through cash generated from its operations and the loans from directors of the Company. During the year ended September 30, 2007, the Company funded its operations mainly through two aspects 1) cash generated from its operations, and 2) cash proceeds from issuance of securities such as preferred stock. Cash from operations is only enough to fund its onsite personnel. The sale of preferred stock has providing the funding for the Company's investment in capital expenditures, and the cost of medical and management expertise that are heavily involved in the early stages of building out the VIP Birthing Centers and training of the personnel that staff those VIP Birthing Centers.

The Company expects that with the expansion into new markets and development of its business model, it can gain economies of scale on its heavy investment medical and hospital management experts. Related parties and directors have also provided the working capital during the most recent operating periods in order to maintain the business a going concern. The Company is actively seeking external financing to strengthen its financial position.

The following table sets forth the summary of the Company's cash flows for the periods indicated:

	Year Ended Sep 30,	
	2008	2007
Net cash provided by (used in) operating activities	(1,139,328)	(537,747)
Net cash provided by (used in) investing activities	62,703	935,049
Net cash provided by financing activities	1,107,530	108,980
Net increase (decrease) in cash and cash equivalents	30,906	506,281
Cash and cash equivalents, beginning of year	416,705	35,513
Effect of exchange rate changes on cash and cash equivalents	(218,043)	(125,090)
Cash and cash equivalents, at end of year	229,567	416,705

Our cash requirement is mainly for daily working capital. As at September 30, 2008, we had \$229,567 in cash and cash equivalents and a working capital deficiency of \$4,842,080, compared to \$416,705 in cash and cash equivalents and a working capital deficiency of \$3,833,088 as of September 30, 2007.

Cash Flows from Operating Activities

For the year ended September 30, 2008, our operating activities used cash of \$1,139,328. For the year ended September 30, 2007, our operating activities used cash of \$537,747. The increase in cash used in operating activities of \$601,581 for the year ended September 30, 2008 was primarily due to the increase in net loss resulting from the substantial increase in general and administrative expenses.

Cash Flows from Investing Activities

For the year ended September 30, 2008, our investing activities generated cash of \$62,703. For the year ended September 30, 2007, our investing activities generated cash of \$935,049. The decrease in cash used in investing activities of \$872,346 for the year ended September 30, 2008 was primarily due to the decrease in proceeds from disposals of assets.

Cash Flows from Financing Activities

For the year ended September 30, 2008, our financing activities generated cash of \$1,107,530. For the year ended September 30, 2007, our financing activities used cash of \$108,980. The increase in cash generated in financing activities of \$998,550 for the year ended September 30, 2008 was primarily due to the increase of proceeds from

issuance of common stock and short-term loans. We do not expect any more cash payment or accrued payment for dividends in near term as the majority of the CPS has been converted. Innotech (a shareholder of UPMG) loaned \$384,615 (equivalent to HK\$3,000,000) and \$512,820 (equivalent to HK\$4,000,000) to UPMG on January 10, 2008 and January 25, 2008 respectively as the working capital of UPMG.

Capital Expenditures

During the years ended September 30, 2008 and 2007, the Company did not incurred any capital expenditures. Depending the availability of equity financing, over the next twelve months, we expect to spend about \$5,000,000 on capital expenditures, mainly for purchase of medical equipment, facilities and operating licenses and center renovation in the future acquisition of specialty hospitals, health centers and VIP birthing centers in the PRC.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a net loss of \$2,719,503 and a negative cash flow from operations of \$1,139,328 for the year ended September 30, 2008 and a working capital deficiency of \$4,842,080, and a shareholders' deficit of \$4,944,874 at September 30, 2008. These matters raise substantial doubt about the Company's ability to continue as a going concern if the Company does not secure new outside financing. The Company is currently and continues to make efforts to procure outside financing to strengthen its financial position.

Off-Balance Sheet Arrangements

The Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to shareholders.

Contractual Obligations

As a "smaller reporting company", we are not required to provide tabular disclosure obligations.

Summary of Significant Accounting Policies

- (a) Method of Accounting
The Company maintains its general ledger and journals with the accrual method of accounting for financial reporting purposes. The financial statements and notes are representations of management. Accounting policies adopted by the Company conform to generally accepted accounting principles in the United States of America and have been consistently applied in the presentation of financial statements, which are compiled on the accrual basis of accounting.
- (b) Consolidation
Inter-company transactions, such as due to/due from balances, investment in subsidiaries, and subsidiaries' capitalization have been eliminated.
- (c) Use of Estimates
In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting years. These estimates and assumptions include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes and the estimation of useful lives of property, plant, and equipment. Actual results could differ from these estimates.
- (d) Cash and Cash Equivalents
The Company considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.
- (e) Accounts Receivable
Accounts receivables are recognized and carried at the original invoice amount less allowance for any uncollectible amounts. Management regularly reviews the Company's outstanding receivables balance, and will provide allowance for doubtful accounts based on its assessment. Bad debts are charged against allowances when outstanding receivables have been determined to be uncollectible. See Note 3 – Accounts Receivable.
- (f) Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment write-downs related to assets held and used. Additions and improvements to equipment are capitalized at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of equipment is provided over their estimated useful lives, using the straight-line method. Estimated useful lives of the equipment are as follows:

Software	5 years
Center equipment	5 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvement	5 - 10 years
Machinery	5 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the statement of income. The cost of maintenance and repairs is charged to the statement of operations as incurred, whereas significant renewals and betterments are capitalized. See Note 6 –Equipment.

- (g) Revenue Recognition
The Company's revenues are derived from its share of operating profit from VIP Birthing Centers at hospitals where it has invested in capital equipment, leasehold improvements, and human capital in the form of technical training for hospital staff. The Company's share of operating profit from the VIP Birthing Centers depends upon the contractual terms with each hospital. The typical share of operating profit ranges between 70% and 80% of the total operating profit of the VIP Birthing Center. Financial statements are provided by the hospitals each month to the Company for review, verification, and approval. When the financial statements of the VIP Birthing Centers have been approved, the Company recognizes revenue by recording its portion of the total operating profit to its financial statements. Revenues that have been both recognized in accordance to their respective contracts and financial statements provided by the

hospitals can be reasonably expected to be collectible.

(h) Cost of Revenue

Cost of revenue is primarily comprised of depreciation, wages, and licensing fees that must be paid to JHI for facilities with continuing operation. The Company believes that the depreciation of property and equipment matches the substantial initial investment equipment and leasehold improvements with revenues that are earned overtime. The Company charges wages paid to doctors and medical personnel who provide the initial training and hospital management expertise to the hospital when the VIP Birthing centers are initially setup and on a non-fixed on-going basis.

(i) Selling Expenses

Selling expenses are comprised of client entertainment, commissions and salaries for sales personnel, marketing, and travel and lodging expenses.

(j) General & Administrative Expenses

General and administrative expenses include outside consulting services, research & development, executive compensation, quality control, and general overhead such as finance and administrative staff, and depreciation expense.

(k) Income Taxes

The Company uses the accrual method of accounting to determine and report its taxable income for the year. The Company has implemented *Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes*. *The Company also adopted FIN 48, Accounting for Uncertainty in Tax Positions*.

Income tax liabilities computed according to the United States, People's Republic of China (PRC), Hong Kong SAR and Macau SAR laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

(l) Earnings (Loss) Per Share

The Company computes earnings per share ("EPS") in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS NO. 128"), and SEC Staff Accounting Bulletin No. 98 ("SAB 98"). SFAS No. 128 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

(m) Other Comprehensive Income (Loss)

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company's current component of other comprehensive income is the foreign currency translation adjustment.

(n) Foreign Currency Translation

The Company maintains its financial statements in the functional currency, which is the Renminbi (RMB). Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchanges rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company, which are prepared using the functional currency, have been translated into United States dollars. Assets and liabilities are translated at

the exchange rates at the balance sheet dates and revenue and expenses are translated at the average exchange rates and stockholders' equity is translated at historical exchange rates. Translation adjustments are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

The accompanying consolidated financial statements are presented in United States dollars. The functional currency of the Company is Hong Kong dollars (i\$HK\$). Equity accounts of the consolidated financial statements are translated into United States dollars from HK\$ at their historical exchange rates when the capital transactions occurred. Assets and liabilities are translated at the exchange rates as of balance sheet date. Income and expenditures are translated at the average exchange rate of the year. Translation adjustments are not included in determining net income but are included in foreign currency translation adjustment in other comprehensive income, a component of stockholders' equity.

	<u>September 30, 2008</u>	<u>September 30, 2007</u>
HKD-USD Year End Rate	7.77010	7.77600
HKD-USD Average Rate	7.79297	7.80367
RMB-USD Year End Rate	6.85510	7.51760
RMB-USD Average Rate	7.11061	7.72569

(o) Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 161 requires entities to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). Statement 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles."

In May 2008, the FASB issued FSP Accounting Principles Board ("APB") 14-1 "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis.

The Company is currently evaluating the potential impact, if any, of the adoption of the above recent accounting pronouncements on its consolidated results of operations and financial condition.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

As a “smaller reporting company”, we are not required to provide the information required by this Item.

ITEM 8. Financial Statements and Supplementary Data

Our consolidated audited financial statements are stated in United States dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

The following consolidated audited financials statements are filed as part of this annual report:

[Independent Auditor’s Report, dated December 24, 2008 of Samuel H. Wong & Co., LLP](#)

[Audited Consolidated Balance Sheets as at September 30, 2008 and September 30, 2007](#)

[Audited Consolidated Statements of Operations for the year ended September 30, 2008 and for the year ended September 30, 2007](#)

[Audited Consolidated Statement of Changes in Stockholders’ Deficit for the year ended September 30, 2008 and for the year ended September 30, 2007](#)

[Audited Consolidated Statements of Cash Flows for the year ended September 30, 2008 and for the year ended September 30, 2007](#)

[Notes to the Consolidated Financial Statements](#)

China Health Care Corp
Audited Financial Statements
September 30, 2008 and 2007
(Stated in US Dollars)

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Board of Directors and Stockholders

China Health Care Corp

Report of Registered Independent Public Accounting Firm

We have audited the accompanying consolidated balance sheets of China Health Care Corporation at September 30, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of China Health Care Corporation at September 30, 2007 and 2006, and the results of its operations and its cash flows for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company continued to incur losses and working capital deficiencies that raise doubt over its ability to continue as a going concern. The accompanying financial statements do not include any adjustments to the financial statements that might be necessary should the company be unable to continue as a going concern.

South San Francisco, California

Samuel H. Wong & Co., LLP

December 24, 2008

Certified Public Accountants

China Health Care Corp
Consolidated Balance Sheets
At September 30, 2008 and 2007
(Stated in US Dollars)

Assets	Note	At September 30, 2008	At September 30, 2007
<u>Current assets</u>			
Cash	2(d)	\$ 229,567	\$ 416,705
Accounts receivable	2(e),3	193,050	203,921
Related party receivables	4	-	330,068
Prepaid expenses	5	78,717	2,161
Total current assets		501,334	952,855
<u>Non-current assets</u>			
Property and equipment	2(f),6	842,710	1,106,665
Goodwill	7	154,809	154,692
Rent and utility deposits		867	79,727
<u>Discontinued operations</u>			
Accounts receivable		-	-
Related party receivables	15	-	179,540
Prepaid expenses		-	69,871
Total assets		\$ 1,499,720	\$ 2,543,350
 Liabilities, Minority Interest, and Stockholders' Deficit			
<u>Current liabilities</u>			
Accounts payable		570,894	566,744
Dividends payable		24,884	1,587,328
Related party payables	8	2,695,623	1,693,273
Accrued liabilities	9	733,432	938,598
Convertible preferred stock - \$0 par value, 10,000 shares	10	1,503,225	-
Total current liabilities		5,528,058	4,785,943
<u>Non-current liabilities</u>			
Convertible preferred stock - \$0 par value, 10,000 shares		-	10,172,376
 <u>Liabilities of discontinued operations</u>			
Accounts payable		839,219	927,644
Accrued liabilities	15	20,504	22,085
Total liabilities		\$ 6,387,781	\$ 15,908,048
Minority interest		\$ 241,457	\$ 254,868

See Accompanying Notes to the Financial Statements and Accountant's Report.

China Health Care Corp

Consolidated Balance Sheets

At September 30, 2008 and 2007

(Stated in US Dollars)

<u>Stockholders' deficit</u>		
Common stock - \$0.001 par value, 200,000,000 shares	50,148	39,314
Additional paid in capital	21,679,668	10,524,794
Accumulated deficits	(26,735,307)	(24,015,803)
Accumulated other comprehensive income (loss)	60,617	(167,871)
Total stockholders' deficit	<u>\$ (4,944,873)</u>	<u>(13,619,566)</u>
Total liabilities, minority interest, and stockholders' deficit	<u>\$ 1,684,365</u>	<u>\$ 2,543,350</u>

See Accompanying Notes to the Financial Statements and Accountant's Report.

China Health Care Corp

Consolidated Statement of Operations

for the twelve months ended September 30, 2008, and 2007

(Stated in US Dollars)

		twelve months ended September 30, 2008	twelve months ended September 30, 2007
Revenue	2(g),16	\$ 545,884	\$ 588,157
Cost of revenue	2(h)	168,112	152,184
Gross profit		377,772	435,973
Selling expenses	2(i)	137,478	150,978
General and administrative expenses	2(j)	2,660,829	971,275
Total operating expenses		2,798,307	1,122,253
Other income (expenses)			
Other income		158,173	59,161
Interest income		320	932
Interest expense		(251,948)	(937,643)
Other expenses		(149,561)	(21,535)
Total other income (expenses)		(243,016)	(899,085)
Loss before income tax and minority interest		(2,663,551)	(1,585,365)
Provision for income tax (tax benefit)	2(k)	20,110	20,512
Loss before minority interest		(2,683,661)	(1,605,877)

Statement of Comprehensive Income (Loss):	Note	twelve months ended September 30, 2008	twelve months ended September 30, 2007
Net income (loss)		\$ (2,719,503)	\$ (1,206,521)
Other comprehensive income (loss)	2(m)		
Foreign currency translation adjustment	2(n)	228,488	(125,090)
Total comprehensive income		\$ (2,491,015)	\$ (1,331,611)
less: Minority interest in net income (loss)		19,831	19,902
Loss from continuing operations		(2,663,830)	(1,585,975)
Gain (loss) from discontinued operations, <i>net of taxes</i>	15	(55,673)	379,454
Net income (loss)		\$ (2,719,503)	\$ (1,206,521)
Earnings (loss) per share	2(l), 14		
Basic and diluted		\$ (0.0600)	\$ (0.0307)
Weighted average shares outstanding			
Basic and diluted		45,344,093	39,257,595

See Accompanying Notes to the Financial Statements and Accountant's Report.

China Health Care Corp

Consolidated Statements of Changes in Stockholders' Deficit

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

	Common Stock		Paid in Capital	Accumulated Deficit	Other Comprehensive Income (loss)	Total
	Shares Outstanding	Par Amount				
Balance, October 1, 2006	38,856,000	\$ 38,856	\$ 10,159,113	\$ (22,809,282)	\$ (42,781)	\$ (12,654,094)
Issuance of common stock for cash	418,000	418	298,034			298,452
Issuance of common stock as	40,000	40	67,647			67,687
Net loss				(1,206,521)		(1,206,521)
Foreign currency translation adjustment					(125,090)	(125,090)
Balance, September 30, 2007	39,314,000	\$ 39,314	\$ 10,524,794	\$ (24,015,803)	\$ (167,871)	\$ (13,619,566)
Balance, October 1, 2007	39,314,000	\$ 39,314	\$ 10,524,794	\$ (24,015,803)	\$ (167,871)	\$ (13,619,566)
Conversion of preferred stock	8,928,000	8,928	9,787,640			9,796,568
Issuance of common stock	1,906,000	1,906	1,367,234			1,369,140
Net loss				(2,719,503)		(2,719,503)
Foreign currency translation adjustment					228,487	228,487
Balance, September 30, 2008	50,148,000	\$ 50,148	\$ 21,679,668	\$ (26,735,306)	\$ 60,616	\$ (4,944,874)

See Accompanying Notes to the Financial Statements and Accountant's Report.

China Health Care Corp

Consolidated Statements of Cash Flows

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

	twelve months ended September 30, 2008	twelve months ended September 30, 2007
Cash Flow from Operating Activities		
Net income (loss)	\$ (2,719,503)	\$ (1,206,521)
<i>Adjustments to reconcile net loss to net cash used in operating activities:</i>		
Preferred dividends included in interest	-	562,900
Stock compensation	259,704	366,139
Depreciation	279,944	(384,074)
Impairment of assets	-	391,825
Decrease/(Increase) in accounts receivable	10,920	(97,605)
Decrease/(Increase) in related party receivable	509,608	(336,559)
Decrease/(Increase) in prepaid expenses	(6,685)	(59,994)
(Decrease)/Increase in accounts payables	(84,275)	(205,345)
(Decrease)/Increase in accrued liabilities	(206,746)	(828,553)
(Decrease)/Increase in related party payable	817,705	1,290,847
(Decrease)/Increase in customer deposit	-	(30,806)
Cash Sourced from/(Used in) operating activities	<u>(1,139,328)</u>	<u>(537,747)</u>
Cash Flows from Investing Activities		
Rent and utility (deposits paid)/deposits refund	(15,989)	(68,129)
(Acquisition of minority interest at premium generating goodwill)	(117)	(292)
Proceeds from sales of/(purchase of) equipment	78,810	1,003,469
Cash Sourced from/(Used in) investing activities	<u>62,703</u>	<u>935,049</u>
Cash Flows from Financing Activities		
Issuance of convertible preferred stock	1,107,530	108,980
Cash Sourced from/(Used in) Financing Activities	<u>1,107,530</u>	<u>108,980</u>
Net Increase/(Decrease) in Cash & Cash Equivalents for the Period	30,906	506,281
Effect of Currency Translation	(218,043)	(125,090)
Cash & Cash Equivalents at Beginning of Period	<u>416,705</u>	<u>35,513</u>
Cash & Cash Equivalents at End of Period	\$ 229,567	\$ 416,705
<i>Supplementary cash flow information:</i>		
Interest received	320	932
Interest paid	(251,948)	(374,743)
Taxes paid	103	73

See Accompanying Notes to the Financial Statements and Accountant's Report.

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

History

China Health Care Corporation (the "Company") was incorporated in the state of Wyoming on February 11, 2005 under the name of The Cavalier Group. On May 13, 2008, the Secretary of State of Wyoming effected a change of the Company to China Health Care Corporation, as approved by our shareholders. On January 20, 2008, the Company entered into a share exchange agreement with United Premier Medical Group Limited ("UPMG") and its shareholders to acquire all of the outstanding common shares of UPMG. The transaction closed on July 24, 2008.

The share exchange transaction has been accounted for as a recapitalization of UPMG where the Company (the legal acquirer) is considered the accounting acquiree and UPMG (the legal acquiree) is considered the accounting acquirer. As a result of this transaction, the Company is deemed to be a continuation of the business of UPMG.

Accordingly, the financial data included in the accompanying consolidated financial statements for all periods prior to July 24, 2008 is that of the accounting acquirer (UPMG). The historical stockholders' equity of the accounting acquirer prior to the share exchange has been retroactively restated as if the share exchange transaction occurred as of the beginning of the first period presented.

United Premier Medical Group Limited ("UPMG") is a medical consultancy service provider in the People's Republic of China ("PRC") providing services in the areas of hospital management and specialty medical consultancy. UPMG's primary focus is the health care needs of women and children.

The business was founded in 2001, with UPMG as the ultimate holding company. UPMG was organized under the laws of Cayman Island on March 28, 2003, whereas UPMG International Limited ("UPMGI") was incorporated in the British Virgin Islands on September 15, 2003. The intention is to build the Company using a holding company structure, with a top-level entity owing interests in operating entities. Separate operating entities are established in each geographic region. At times, the company owns less than 100% of an operating entity because this enables the use of resources and expertise of local partners.

There were a number of restructuring events, which occurred over the past several years. These events would include:

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

- On July 19, 2001, UPMGI acquired 50% of the operating entity Proactive Medicare Enterprise (Hong Kong) Limited (i\$PME-HK_i). At the same time, PME-HK held 90% in equity interest of the operating entity Shanghai Proactive Medicare Health Education Center Limited (i\$BK-SH_i).
- On May 5, 2003, UPMG acquired 100% of UPMGI and hence UPMGI became a wholly-owned subsidiary of UPMG.
- On March 17, 2004, UPMGI increased its ownership of the operating entity PME-HK from 50% to 100% and hence PME-HK became a wholly-owned subsidiary of UPMGI.
- Pro-Innovative Holdings Limited (i\$PHL_i), an investment holding company, was incorporated on January 22, 2004 with 51% in equity interest held by UPMG.
- On February 17, 2004, UPMG transferred all common shareholding in Ideamart Holdings Limited (i\$Ideamart_i) to PHL. Ideamart, which incorporated on May 28, 2003, is a dormant company.
- On March 19, 2004, UPMG International (Guangdong) Limited (i\$UPMGIG_i) increased its ownership of UPMG (Guangdong) Company Limited (i\$UPMGGC_i) from 99% to 100%.
- On May 7, 2004, PHL transferred 100% of its ownership in UPMG (Hong Kong) Limited (i\$UPMG-HK_i) and UPMG (US) Limited (i\$UPMG-US_i) to UPMGI and hence UPMG-HK and UPMG-US became the wholly-owned subsidiaries of UPMGI.
- In April 2007, UPMG-HK disposed of its 100% interest in Broad Prosper Limited.

Current Structure & Basis of Presentation

The Company owned the following subsidiaries at June 30, 2008:

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

No.	Company Code	Company Name	Place of Incorporation	Date of Incorporation	Remark
0	CHCC	China Health Care Corporation	Wyoming	February 11, 2005	Publicly Listed Holding Company
1	UPMG	United Premier Medical Group Limited	Cayman Islands	March 28, 2003	Intermediary Holding Company
2	UPMGI	UPMG International Limited	British Virgin Islands	September 15, 2003	Subsidiary of UPMG
3	PME-HK	Proactive Medicare Enterprise (Hong Kong) Limited	Hong Kong	March 17, 2000	Wholly-owned subsidiary of UPMGI
4	PME-SZ	Proactive Medicare (Shenzhen) Company Limited	Hong Kong	September 24, 2004	Wholly-owned subsidiary of UPMGI
5	PME-CS	Proactive Medicare (Changsha) Company Limited	Hong Kong	July 2, 2004	Wholly-owned subsidiary of UPMGI
6	PME-XIA	Proactive Medicare (Xiamen) Company Limited	Hong Kong	December 22, 2004	Wholly-owned subsidiary of UPMGI
7	PME-NAN	Proactive Medicare (Nanjing) Company Limited	Hong Kong	September 24, 2005	Wholly-owned subsidiary of UPMGI
8	PME-HZ	Proactive Medicare (Hangzhou) Company Limited	Hong Kong	August 25, 2005	Wholly-owned subsidiary of UPMGI
9	PME-WX	Proactive Medicare (Wuxi) Company Limited	Hong Kong	April 19, 2004	Wholly-owned subsidiary of UPMGI
10	UPMG-SHA	United Premier Medical Group (Shanghai) Limited	Hong Kong	February 25, 2004	Wholly-owned subsidiary of UPMGI
11	PMS-HK	Proactive Medicare Services (Hong Kong) Limited	Hong Kong	January 30, 2004	Wholly-owned subsidiary of UPMGI
12	PME-BJ	Proactive Medicare (Beijing) Company Limited	Hong Kong	March 27, 2000	Wholly-owned subsidiary of UPMGI
13	UPMG-HK	UPMG (Hong Kong) Limited	British Virgin Islands	August 8, 2003	Wholly-owned subsidiary of UPMGI
14	UPMG-US	UPMG (US) Limited	British Virgin Islands	November 23, 1993	Wholly-owned subsidiary of UPMGI
15	HB-GZ	Guangzhou Inno-Proactive Medicare Consultancy Ltd.	PRC	October 26, 2004	Wholly-owned subsidiary of PMEHK
16	BK-SH	Shanghai Proactive Medicare Health Education Center Limited	PRC	February 5, 2002	90% of common shareholding held by PMEHK

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

No.	Company Code	Company Name	Place of Incorporation	Date of Incorporation	Remark
0	CHCC	China Health Care Corporation	Wyoming	February 11, 2005	Publicly Listed Holding Company
17	UBK-SZ	UPMG (Shenzhen) Limited	PRC	January 5, 2006	Wholly-owned subsidiary of UPMG-US
18	UPMG-MU	UPMG (Macau) Company Limited	Macau	September 29, 2006	50% of common shareholding held by UPMG-HK
19	PHL	Pro-Innovative Holdings Limited	British Virgin Islands	January 22, 2004	51% of common shareholding held by UPMG
20	PML	Pro-Innovative Medical Limited	Hong Kong	December 8, 2003	Wholly-owned subsidiary of PHL
21	Ideamart	Ideamart Holdings Limited	British Virgin Islands	May 28, 2003	Wholly-owned subsidiary of PHL
22	UPMGIG	UPMG International (Guangdong) Limited	British Virgin Islands	August 29, 2003	62% of common shareholding held by PHL
23	UPMGGC	UPMG (Guangdong) Company Limited	Hong Kong	August 14, 2002	Wholly-owned subsidiary of UPMGIG
24	BP	Broad Prosper Limited	British Virgin Islands	September 25, 2003	100% of common shareholding held by UPMG-HK (discontinued on April 30, 2007)

The consolidated financial statements include the accounts of UPMG and its consolidated subsidiaries. UPMG wholly owns UPMGI, which in turn directly holds 12 wholly-owned subsidiaries and indirectly holds 4 subsidiaries including HB-GZ (100% in equity interest), BK-SH (90% in equity interest), UBK-SZ (100% in equity interest) and UPMG-MU (50% in equity interest). Besides, UPMG holds 51% in equity interest of PHL, which in turn, wholly owns two direct subsidiaries and holds 62% in equity interest of UPMGIG, which in turn wholly owns UPMGGC

Business

The Company provides consultancy services to the VIP Maternity & Gynecological Centers (the "VIP Birthing Centers") in the PRC. These services are provided in conjunction with Johns Hopkins International, LLC, a U.S. based healthcare provider, and based upon a Consultancy Agreement with JHI. (The Company and JHI are currently disputing certain material terms of the consultancy agreement – see below, and note 14). The first VIP Birthing Center commenced operations in October 2002 at the International Peace Maternity & Child Health Hospital in Shanghai. Over the past six years, we have signed co-operative agreements with a number of hospitals in Obstetrics / Gynecology ("OB/GYN") across the PRC in cities including Beijing, Shanghai, Guangzhou, Foshan, Wuxi, Xiamen, Changsha and Hangzhou. In 2006, we signed a management agreement with the University Hospital at Macau University of Science and Technology ("UH-MUST") whereby we provide general hospital management consultancy service.

We are currently under contracts to provide consultancy services to a total of five VIP Birthing Centers in the PRC and to manage a private hospital in Macau. These centers are located in Wuxi ("the Wuxi Center"), Xiamen ("the Xiamen Center"), Changsha ("the Changsha Center"), Foshan ("the Foshan Center") and

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

Hangzhou (the Hangzhou Center). The Wuxi Center, the Xiamen Center and the hospital in Macau are operated under our service contracts, and we receive a monthly fee for our services. We have had difficulty enforcing these contracts, and three of the VIP Birthing Centers have ceased complying with our payment terms (the Changsha Center, the Foshan Center, and the Hangzhou Center). We engaged lawyers to negotiate with the host hospitals for settlement. We also had a VIP Birthing Center in Shanghai (the Shanghai Center). We have not been paid by the Shanghai Center since January 2006 and we have taken legal action against the host hospital for breach of contract.

We had an additional VIP Birthing Center in Guangzhou (the Guangzhou Center) which ceased its operation in March 2007. Our invested assets were sold back to its host hospital. Our net receipt on this asset sale amounted to \$1,296,944. For the abovementioned centers that we have difficulty enforcing our contracts, we have not accrued any revenue for the years ended September 30, 2007 and 2006.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has a net loss of \$2,396,813 and a negative cash flow from operations of \$761,422 for the period ended June 30, 2008 and a working capital deficiency of \$5,817,681, and a shareholders' deficit of \$4,830,718 at June 30, 2008. These matters raise substantial doubt about the Company's ability to continue as a going concern if the Company does not secure new outside financing. The Company is currently and continues to make efforts to procure outside financing to strengthen its financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting

The Company maintains its general ledger and journals with the accrual method of accounting for financial reporting purposes. The financial statements and notes are representations of management. Accounting policies adopted by the Company conform to generally accepted accounting principles in the United States of America and have been consistently applied in the presentation of financial statements, which are compiled on the accrual basis of accounting.

b) Consolidation

Inter-company transactions, such as due to/due from balances, investment in subsidiaries, and subsidiaries' capitalization have been eliminated.

c) Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, as well as the reported amounts of revenues and expenses during the reporting years. These estimates and assumptions include, but are not limited to, the valuation of accounts receivable, inventories, deferred income taxes and the estimation of useful lives of property, plant, and equipment. Actual results could differ from these estimates.

d) Cash and Cash Equivalents

The Company considers all cash and other highly liquid investments with initial maturities of three months

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

or less to be cash equivalents.

e) Accounts Receivable

Accounts receivables are recognized and carried at the original invoice amount less allowance for any uncollectible amounts. Management regularly reviews the Company's outstanding receivables balance, and will provide allowance for doubtful accounts based on its assessment. Bad debts are charged against allowances when outstanding receivables have been determined to be uncollectible. See Note 3 – Accounts Receivable.

f) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment write-downs related to assets held and used. Additions and improvements to equipment are capitalized at cost. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation of equipment is provided over their estimated useful lives, using the straight-line method. Estimated useful lives of the equipment are as follows:

Software	5 years
Center equipment	5 years
Office equipment	5 years
Furniture and fixtures	5 years
Leasehold improvement	5 - 10 years
Machinery	5 years

The cost and related accumulated depreciation of assets sold or otherwise retired are eliminated from the accounts and any gain or loss is included in the statement of income. The cost of maintenance and repairs is charged to the statement of operations as incurred, whereas significant renewals and betterments are capitalized. See Note 6 –Equipment.

g) Revenue Recognition

The Company's revenues are derived from its share of operating profit from VIP Birthing Centers at hospitals where it has invested in capital equipment, leasehold improvements, and human capital in the form of technical training for hospital staff. The Company's share of operating profit from the VIP Birthing Centers depends upon the contractual terms with each hospital. The typical share of operating profit ranges between 70% and 80% of the total operating profit of the VIP Birthing Center. Financial statements are provided by the hospitals each month to the Company for review, verification, and approval. When the financial statements of the VIP Birthing Centers have been approved, the Company recognizes revenue by recording its portion of the total operating profit to its financial statements. Revenues that have been both recognized in accordance to their respective contracts and financial statements provided by the hospitals can be reasonably expected to be collectible.

h) Cost of Revenue

Cost of revenue is primarily comprised of depreciation, wages, and licensing fees that must be paid to JHI for facilities with continuing operation. The Company believes that the depreciation of property and equipment matches the substantial initial investment equipment and leasehold improvements with revenues that are earned overtime. The Company charges wages paid to doctors and medical personnel who provide the initial training and hospital management expertise to the hospital when the VIP Birthing centers are initially setup and on a non-fixed on-going basis.

i) Selling Expenses

Selling expenses are comprised of client entertainment, commissions and salaries for sales personnel, marketing, and travel and lodging expenses.

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

j) General & Administrative Expenses

General and administrative expenses include outside consulting services, research & development, executive compensation, quality control, and general overhead such as finance and administrative staff, and depreciation expense.

k) Income Taxes

The Company uses the accrual method of accounting to determine and report its taxable income for the year. The Company has implemented *Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes*. The Company also adopted *FIN 48, Accounting for Uncertainty in Tax Positions*.

Income tax liabilities computed according to the United States, People's Republic of China (PRC), Hong Kong SAR and Macau SAR laws are provided for the tax effects of transactions reported in the financial statements and consists of taxes currently due plus deferred taxes related primarily to differences between the basis of fixed assets and intangible assets for financial and tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future income taxes. A valuation allowance is created to evaluate deferred tax assets if it is more likely than not that these items will either expire before the Company is able to realize that tax benefit, or that future realization is uncertain.

l) Earnings (Loss) Per Share

The Company computes earnings per share (EPS) in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share (SFAS NO. 128), and SEC Staff Accounting Bulletin No. 98 (SAB 98). SFAS No. 128 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as the income or loss available to common shareholders divided by the weighted average common shares outstanding for the period. Diluted EPS is similar to basic EPS but presents the dilutive effect on a per share basis of potential common shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential common shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS.

m) Other Comprehensive Income (Loss)

Comprehensive income is defined to include all changes in equity except those resulting from investments by owners and distributions to owners. Among other disclosures, all items that are required to be recognized under current accounting standards as components of comprehensive income are required to be reported in a financial statement that is presented with the same prominence as other financial statements. The Company's current component of other comprehensive income is the foreign currency translation adjustment.

n) Foreign Currency Translation

The Company maintains its financial statements in the functional currency, which is the Renminbi (RMB). Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at rates of exchange prevailing at the balance sheet dates. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing at the dates of the transaction. Exchange gains or losses arising from foreign currency transactions are included in the determination of net income for the respective periods.

For financial reporting purposes, the financial statements of the Company, which are prepared using the functional currency, have been translated into United States dollars. Assets and liabilities are translated at the exchange rates at the balance sheet dates and revenue and expenses are translated at the average

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exchange rates and stockholders' equity is translated at historical exchange rates. Translation adjustments are not included in determining net income but are included in foreign exchange adjustment to other comprehensive income, a component of stockholders' equity.

The accompanying consolidated financial statements are presented in United States dollars. The functional currency of the Company is Hong Kong dollars (HK\$). Equity accounts of the consolidated financial statements are translated into United States dollars from HK\$ at their historical exchange rates when the capital transactions occurred. Assets and liabilities are translated at the exchange rates as of balance sheet date. Income and expenditures are translated at the average exchange rate of the year. Translation adjustments are not included in determining net income but are included in foreign currency translation adjustment in other comprehensive income, a component of stockholders' equity.

	September 30, 2008	September 30, 2007
HKD-USD Year End Rate	7.77010	7.77600
HKD-USD Average Rate	7.79297	7.80367
RMB-USD Year End Rate	6.85510	7.51760
RMB-USD Average Rate	7.11061	7.72569

o) Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 applies to all derivative instruments and related hedged items accounted for under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 161 requires entities to provide greater transparency about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS 162"). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy).

Statement 162 will become effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles."

In May 2008, the FASB issued FSP Accounting Principles Board ("APB") 14-1 "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). FSP APB 14-1 requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the liability (debt) and equity (conversion option) components of the instrument in a manner that reflects the issuer's non-convertible debt borrowing rate. FSP APB 14-1 is effective for fiscal years beginning after December 15, 2008 on a retroactive basis.

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The Company is currently evaluating the potential impact, if any, of the adoption of the above recent accounting pronouncements on its consolidated results of operations and financial condition.

3. ACCOUNTS RECEIVABLE

	At September 30, 2008	At September 30, 2007
Total Accounts Receivable-Trade	\$ 193,050	\$ 203,971
<i>Less:</i> Allowance for Bad Debt	-	-
	\$ 193,050	\$ 203,971

Allowance for Bad Debts

Beginning Balance	\$ -	\$ (16,286)
Allowance Provided	-	-
<i>Less:</i> Reversal	-	(16,286)
Ending Balance	\$ -	\$ -

4. RELATED PARTY RECEIVABLE

Amounts due from directors and shareholders were both repaid in their entirety at September 30, 2008. The balances at September 30, 2007, of \$330,068, owed by the directors and shareholders, were set-off against payables owed to related parties via duly endorsed netting agreements. The balances that were previously owed to Company by the Directors and Shareholders did not affect the Company's result of operations. See Note 8 – Related Party Payables.

5. PREPAID EXPENSES

The prepaid expenses at September 30, 2008 and September 30, 2007 are shown in the following table: -

	At September 30, 2008	At September 30, 2007
Purchases of baby beds	\$ 74,689	\$ -
Various miscellaneous	4,028	-
Medical insurance	-	2,043
Employee compensation	-	118
	\$ 78,717	\$ 2,161

China Health Care Corp

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for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

6. PROPERTY AND EQUIPMENT

Property and equipment, which are stated at cost less depreciation, were comprised of the following: -

Category of Asset	At September 30, 2008	At September 30, 2007
Furniture & fixtures	\$ 492,631	\$ 59,011
Office equipment	8,738	505,172
Computer software	42,470	42,490
Leasehold improvement	241,208	260,634
Center equipment	925,468	-
Machinery	-	848,606
	<u>1,710,515</u>	<u>1,715,913</u>
<i>Less: Accumulated Depreciation</i>		
Furniture & fixtures	214,668	10,853
Office equipment	1,503	181,270
Computer software	18,661	10,266
Leasehold improvement	94,474	74,215
Center equipment	538,499	-
Machinery	-	315,992
	<u>867,805</u>	<u>592,596</u>
Equipment, <i>net</i>	<u>\$ 842,710</u>	<u>\$ 1,123,317</u>

7. GOODWILL

Goodwill amounting to \$154,810 and \$154,692 as of June 30, 2008 and September 30, 2007 is related to the acquisition of the minority interest of PME-WX, for which the company's subsidiary, UMPGI, purchased the remaining 20% of interest from other stockholder in 2004. Management annually reviews the carry value of goodwill using the sum of the undiscounted cash flows generated by PME-WX to determine if an impairment charge is necessary. The Company has determined no impairment to the goodwill as of date.

8. RELATED PARTY PAYABLES

The following table presents the balances the Company owed to related parties.

	At September 30, 2008	At September 30, 2007
Due to Chief Executive Officer: Henry J. Macfarland	\$ -	\$ -
Due to Director: Robert Yao Wing Wong	1,039,537	-
Due to Director: Yuen Yee Wong	-	470,377
Loan from Innotech	1,656,086	-
	<u>\$ 2,695,623</u>	<u>\$ 470,377</u>

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

Due to Director

Payables owed to the Company's directors are non-interest-bearing and, payable on demand. There is no impact to the statement of operations as result of the payables to the directors.

Loan from Innotech

On June 20, 2007, Inno-Tech Holdings Limited (i\$Innotechj), a shareholder of United Premier Medical Group Limited (i\$UPMGi), loaned \$772,777 (equivalent to HK\$6,000,000) to UPMG for use as working capital. The repayment date was originally June 22, 2008, but was subsequently extended to December 22, 2008.

On January 10, 2008, Innotech loaned \$384,615 (HK\$3,000,000) to UPMG with the original repayment date on January 9, 2009. On January 25, 2008, Innotech loaned another \$512,820 (HK\$4,000,000) to UPMG with the original repayment date on January 24, 2009. These loan repayment dates have been extended. During the period ended June 30, 2008 and 2007, the Company incurred interest expense of \$45,860 and \$1,517 respectively.

The following table summarizes the loan from related party: -

	At September 30, 2008
Loan principal amount	\$ 1,670,212
Accrued interest payable	65,713
Repayment, net	(93,360)
Translation difference	13,521
Balance at June 30, 2008	\$ 1,656,086

On April 29, 2008, the loan from related party was extended as below:

Date of Loan Agreement	Loan Principal Amount (USD)	Loan Principal Amount (HKFD)	Original Repayment Date	New Repayment Date
June 20, 2007	772,777	(HK\$6,000,000)	June 22, 2008	June 22, 2009
January 10, 2008	384,615	(HK\$3,000,000)	January 9, 2009	July 9, 2009
January 25, 2008	512,820	(HK\$4,000,000)	January 24, 2009	July 24, 2009
	<u>\$1,670,212</u>			

9. ACCRUED LIABILITIES

China Health Care Corp

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for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

	At September 30, 2008	At September 30, 2007
Regular operating expenses	\$ 460,451	\$ 75,325
Johns Hopkins (JHI)	-	550,000
Aliceb Kramer	200,059	-
Accrued interest for redemption of	37,931	-
Income taxes	40,799	-
Business taxes	14,686	-
	<u>\$ 753,926</u>	<u>\$ 625,325</u>

PMEI was once in negotiation with JHI concerning the amount owed to JHI for services and the use of the JHI trademarks for the period June 2005 through March 2006. JHI has invoiced a total of \$550,000 for these services. As PMEI was dissolved in November 2007, the amount to be paid to JHI will ultimately be a liability of the Company, and the Company has accrued the amount of \$550,000 and subsequently paid \$100,213 resulting in outstanding balance of \$449,787.

The accrued interest of \$37,931 reflects the cost of the redemption premium of the convertible preferred stock. The premium which is 2% of the original purchase price of the shares, is based on the 760 shares outstanding at September 30, 2008.

10. CONVERTIBLE PREFERRED STOCK

From June 30, 2005 to September 30, 2007, UPMG entered into a continuous securities subscription agreement with private investors for the sale of UPMG Convertible Preferred Stock. UPMG issued a total of 4,605 shares of Convertible Preferred Stock at a subscription price of \$2,500 per shares for aggregate net proceeds of \$10,225,269, after accounting for issuance costs and professional fees. The shares bear an 8% per annum preferred dividend payable semi-annually. The terms of the subscription agreement call for a conversion ratio of one Convertible Preferred Stock to one common share of UPMG, which in turn can be exchanged for 2,000 shares of the Company. The shares of Convertible Preferred Stock have no voting rights. Under the subscription agreement, mandatory conversion of the shares would be triggered by UPMG listing its shares in a public market. Should no public listing occur within three years (subject to extension under certain conditions), the Convertible Preferred Stock would be mandatorily redeemable at a price of \$2,500 per share plus a premium of 2%. The Company believes the conversion feature of the Convertible Preferred Stock is not a beneficial conversion feature. At the time of their issuance, the UPMG was not a publicly traded corporation. The Company believes that based on the characteristics of the security, such as the mandatory redemption feature, liquidation preference ahead of common stockholders, and cumulative dividends are characteristics akin to liabilities. Accordingly, the Company recognizes the convertible preferred stock as a liability. Any corresponding preferred dividends are regularly accrued according to the terms of the agreement and the redemption features are booked when the securities are issued. The Company typically books the entries by recording a debit to interest expense and an offsetting credit to credit to preferred dividends payable.

On December 4, 2007, the Board of Directors of the UPMG resolved and notified the holders of the Convertible Preferred Stock that UPMG intended to force conversion of all the shares into common shares because the Company was to subsequently undertake a reverse merger transaction, which would transform the company into a public company. All the preferred shares have been subsequently converted except for 600 shares.

China Health Care Corp

Notes to Financial Statements

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(Stated in US Dollars)

In December 2007, UPMG agreed to issue an additional 459 of Convertible Preferred Stock in lieu of paying out dividends in cash, which UPMG had accrued under dividends payable. The additional 459 shares of Convertible Preferred Stock were equivalent to \$1,060,086 of dividends.

The Company is currently in arbitration with the holders of the remaining 600 shares of Convertible Preferred Stock over the Company's intension to force conversion of their shares into common shares. The Company has retained counsel to represent it in arbitration.

The related outstanding dividends payable for the Convertible Preferred Stock at September 30, 2007 was \$1,385,573.

11. INCOME TAXES

In accordance with the relevant tax laws and regulations of Hong Kong, the corporate income tax rate applicable to the subsidiaries of the Company in Hong Kong is 17.5% of taxable income. On March 16, 2007, the National People's Congress of China approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), effective from January 1, 2008. Under the New CIT Law, the corporate income tax rate applicable to the subsidiaries of the Company in the PRC starting from January 1, 2008 is 25%, replacing the previously applicable tax rate of 33%. The New CIT Law has an impact on the deferred tax assets and liabilities of the Company. Effects arising from the enforcement of New CIT law have been reflected into the accounts by applying the new tax rate. The Company was not liable for U.S. Income Tax for the years ended September 30, 2007 and 2006 since the Company continued to incur net operating losses during these years and prior years.

12. SUBSEQUENT EVENTS

China Health Care Corporation appointed Mr. Siew Man Pang as Chief Executive Officer effective October 1, 2008. He replaced Mr. Jay Macfarland who will stay on as Senior Group Advisor. See the Form 8-K filed by the Company on October 10, 2008 for further details.

13. STOCK COMPENSATION EXPENSE

During the twelve months ended September 30, 2008 and 2007 UPMG issued 953 shares and 20 shares of its common stock as compensation, respectively. The 953 shares and 20 shares of UPMG were equivalent to 1,906,000 shares and 40,000 shares of the Company's common stock. The values of the 953 shares and 20 shares of common stock that were expensed to the company's statements of operations were \$1,369,140 and \$67,687. The valuation of these shares was determined by using price similar to that which was used for the sale of common shares to other UPMG stockholders. As result of the lack of secondary market at time of issuance of UPMG's common stock as compensation, the Company believes that the use of a price that other investors had paid was a reasonable fair market value.

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

14. EARNINGS PER SHARE

Components of basic and diluted earnings per share were as follows:

	twelve months ended September 30, 2008	twelve months ended September 30, 2007
Loss from continuing operations	(2,663,830)	(1,585,975)
Net Loss	<u>(2,719,503)</u>	<u>(1,206,521)</u>
Original shares	39,314,000	38,856,000
– Addition to common stock from issuances	<u>6,030,093</u>	<u>401,594</u>
Basic weighted average shares outstanding	<u>45,344,093</u>	<u>39,257,594</u>
<i>Dilutive Shares:</i>		
– Addition to common stock if preferred stock had been converted *	-	-
Diluted Weighted Average Shares Outstanding:	<u>45,344,093</u>	<u>39,257,594</u>
<u>Earnings (Loss) Per Share</u>		
– basic	(0.060)	(0.0307)
– diluted	(0.060)	(0.0307)
Weighted average shares outstanding		
– basic	45,344,093	39,257,594
– diluted	45,344,093	39,257,594
<u>Supplemental Data</u>		
Earnings (loss) per share from continuing operations	(0.0587)	(0.0404)

* If the preferred stock had been converted it would have been antidilutive, accordingly there was no potentially dilutive

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

15. DISCONTINUED OPERATIONS

VIP Birthing Centers
Results of Operations
for the twelve months ended
September 30, 2008

	<u>Changsha</u>	<u>Hangzhou</u>	<u>Foshan</u>	<u>Shanghai</u>	<u>Guangzhou</u>	<u>Total</u>
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cost of revenue	-	-	-	-	-	-
Gross profit	-	-	-	-	-	-
Selling expenses	-	-	-	-	-	-
General and administrative expenses	2,689	27	27,994	-	24,963	55,673
Total operating expenses	2,689	27	27,994	-	24,963	55,673
Other income	-	-	-	-	-	-
Other expense	-	-	-	-	-	-
Taxes	-	-	-	-	-	-
Net income (loss)	\$ (2,689)	\$ (27)	\$ (27,994)	\$ -	\$ (24,963)	\$ (55,673)

VIP Birthing Centers
Results of Operations
for the twelve months ended
September 30, 2007

	<u>Changsha</u>	<u>Hangzhou</u>	<u>Foshan</u>	<u>Shanghai</u>	<u>Guangzhou</u>	<u>Total</u>
Revenue	\$ 62,954	\$ -	\$ -	\$ -	\$ -	\$ 62,954
Cost of revenue	-	-	88,915	-	-	88,915
Gross profit	62,954	-	(88,915)	-	-	(25,961)
Selling expenses	401	1,888	158	1,134	-	3,581
General and administrative expenses	192,040	1,493	6,751	152,744	204,938	557,966
Total operating expenses	192,441	3,381	6,909	153,878	204,938	561,547
Other income	-	-	-	1	969,366	969,368
Other expense	(243)	38	379	1,491	255	2,406
Taxes	-	-	-	-	-	-
Net income (loss)	\$ (129,730)	\$ (3,419)	\$ (96,203)	\$ -	\$ 764,173	\$ 379,454

The Company did not accrue additional allowance for doubtful accounts for the accounts receivable for discontinued operations.

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

16. RISKS

VIP Birthing Centers

Financial Position

At September 30, 2008

	<u>Changsha</u>	<u>Hangzhou</u>	<u>Foshan</u>	<u>Shanghai</u>	<u>Guangzhou</u>	<u>Total</u>
<u>Current assets</u>						
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Related party receivables	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Total current assets	-	-	-	-	-	-
<u>Non-current assets</u>						
Property and equipment, <i>net</i>	-	-	-	-	-	-
Total assets	-	-	-	-	-	-
<u>Current liabilities</u>						
Accounts payable	2,401	-	60,713	776,105	-	839,219
Related party payable	-	-	-	-	-	-
Accrued liabilities	1,287	772	1,287	12,960	4,198	20,504
Total current liabilities	3,688	772	62,000	789,065	4,198	859,723
Total liabilities	3,688	772	62,000	789,065	4,198	859,723
Net assets	\$ (3,688)	\$ (772)	\$ (62,000)	\$ (789,065)	\$ (4,198)	\$ (859,723)

VIP Birthing Centers

Financial Position

At September 30, 2007

	<u>Changsha</u>	<u>Hangzhou</u>	<u>Foshan</u>	<u>Shanghai</u>	<u>Guangzhou</u>	<u>Total</u>
<u>Current assets</u>						
Accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Related party receivables	-	-	-	179,540	-	179,540
Prepaid expenses	-	-	-	-	69,871	69,871
Total current assets	-	-	-	179,540	69,871	249,411
<u>Non-current assets</u>						
Property and equipment, <i>net</i>	-	-	-	-	-	-
Total assets	-	-	-	179,540	69,871	249,411
<u>Current liabilities</u>						
Accounts payable	2,400	-	123,072	802,172	-	927,644
Related party payable	-	-	-	-	-	-
Accrued liabilities	2,071	772	1,652	13,395	4,195	22,085
Total current liabilities	4,471	772	124,724	815,567	4,195	949,729
Total liabilities	4,471	772	124,724	815,567	4,195	949,729
Net assets	\$ (4,471)	\$ (772)	\$ -	\$ -	\$ 65,676	\$ (700,318)

Doing Business in the PRC

China Health Care Corp

Notes to Financial Statements

for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

The Company's operations are conducted in the People's Republic of China (the "PRC"). Accordingly, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environment in the PRC, and by the general state of the PRC economy.

Concentrations

For the twelve months ended September 30, 2008, the Company derived its revenue from three VIP Birthing Centers. Each VIP Birthing Center unto itself can be considered single customers, and, as such, by virtue of there were only three centers, there was a concentration of risk in the Company's revenues. The following provides a table of each centers' contribution by amount and percentage for the nine months presented.

Operating VIP Birthing Centers	September 30, 2008		September 30, 2007	
	Amount	Percentage Contribution to Revenue	Amount	Percentage Contribution to Revenue
Xiamen	\$ 100,948	18.50%	\$ 120,533	20.49%
Wuxi	383,342	70.22%	292,322	49.70%
Macau	61,594	11.28%	164,025	27.89%
Other	-	0.00%	11,277	1.92%
	<u>\$ 545,884</u>	<u>100.00%</u>	<u>\$ 588,157</u>	<u>100.00%</u>

China Health Care Corp

Notes to Financial Statements

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17. COMMITMENTS AND CONTINGENCIES

A. Legal proceeding against IPMCHH

Proactive Medicare Enterprise (HK) Limited, a subsidiary of UPMG, is a plaintiff of a legal proceeding regarding a civil claim against a hospital in the PRC namely, International Peace Maternity & Child Health Hospital of the China Welfare Institute (i\$IPMCHH; or the ;\$defendant;") who refused to pay consultancy fees to PME-HK since April 2005 which may aggregate to \$2,890,000

On April 10, 2007, Proactive Medicare Enterprise (HK) Limited (i\$PME-HK;") brought a civil action to the Shanghai No. 1 Intermediate People's Court (the ;\$Shanghai Court;") in the PRC against IPMCHH for breach of contract. A statement of claim from PME-HK was sent to the Shanghai Court for acceptance of review. The proposed claims regarding this civil action included: (i) To order IPMCHH to honor the co-operative agreement signed between PME-HK and IPMCHH on February 2, 2004; (ii) To order IPMCHH to pay the consultant fee amounted \$2,890,000 (equivalent to RMB22,677,123) in arrears owed to PME-HK, and (iii) IPMCHH shall bear the cost of this action.

On April 12, 2007, the statement of claim was legally accepted and filed by the Shanghai Court (Notification of Acceptance: (2007) Hu Yi Zhong Min Wu (Shang) Chu Zi No. 93). On May 29, 2007, the first instance of the case was held to establish the case. On January 23, 2008, the second instance of the case was held to further negotiate a mutually accepted settlement plan. Through the mediation of the Shanghai Court, PME-HK and IPMCHH, so far, have gone through several rounds of negotiation for a mutually agreed settlement amount in recent months but a final settlement amount has yet to be confirmed.

The result of this claim cannot be predicted, and it is possible that the ultimate resolution of the matters, individually or in the aggregate, may have a material adverse effect on the Company's business (either in the near-term or in the long-term), financial position, results of operations, or cash flows. Though the management of the Company believes a portion of this claim may be recovered, the Company has reasonably estimated the uncertain portion and has eliminated their revenue contribution in 2007.

B. Contingent claims against other three hospitals in the PRC

The Company has also engaged a law firm in the PRC to negotiate with another two hospitals in the PRC, which are under contract to pay the Company for the consultancy services provided to their affiliated VIP Birthing Centers in Foshan and Changsha in the PRC. The proposed claim in each case is about one million US dollars. The Company has gone through several rounds of negotiation for an agreed settlement amount in recent months and a final settlement amount has yet to be confirmed.

For the Hangzhou Center, the Company is identifying a suitable PRC lawyer to negotiate with its host hospital for a mutually accepted settlement plan.

China Health Care Corp

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for the twelve months ended September 30, 2008 and 2007

(Stated in US Dollars)

C. Contingent relationship with JHI

The Company is currently in dispute with JHI mainly on the fee structure, outstanding fee owing to JHI and use of "JHI" brand in future, and we are actively negotiating with JHI for settlement. As indicated in an email from JHI dated April 22, 2008, the Company believes that JHI is willing to provide limited support depending on JHI's receiving advance payment for any services requested. The Company also believes that JHI is willing to proceed with settlement negotiations with the Company as long as the Company commits to pay a lump sum of \$300,000 as the settlement of consulting services provided before. Given the positive attitude of JHI, the Company believes the negotiation outcome would be positive and constructive. The amount to be paid to JHI will ultimately be a liability of the Company, and the Company has accrued the amount of \$550,000 during the year ended September 30, 2006. This amount appears as Accrued Liabilities on the Company's balance sheet at September 30, 2007 and 2006.

ITEM 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

There were no disagreements related to accounting principles or practices, financial statement disclosure, internal controls or auditing scope or procedure during the two fiscal years and interim periods, including the interim period up through the date the relationship ended.

ITEM 9A. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our chief executive officer (who is acting as our principal executive officer) and our chief financial officer (who is acting as our principal financial officer and principle accounting officer) to allow for timely decisions regarding required disclosure.

As of September 30, 2008, the year end covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer (who is acting as our principal executive officer) and our chief financial officer (who is acting as our principal financial officer and principle accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our chief executive officer (who is acting as our principal executive officer) and our chief financial officer (who is acting as our principal financial officer and principle accounting officer) concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States. Our management assessed the effectiveness of our internal control over financial reporting as of September 30, 2008. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control-Integrated Framework*. Our management has concluded that, as of September 30, 2008, our internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US generally accepted accounting principles. Our management reviewed the results of their assessment with our Board of Directors.

Inherent limitations on effectiveness of controls

Internal control over financial reporting has inherent limitations which include but is not limited to the use of independent professionals for advice and guidance, interpretation of existing and/or changing rules and principles, segregation of management duties, scale of organization, and personnel factors. Internal control over financial reporting is a process which involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by

collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis, however these inherent limitations are known features of the financial reporting process and it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There have been no significant changes in our internal controls over financial reporting that occurred during our year ended September 30, 2008 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The following individuals serve as the directors and executive officers of our company as of the date of this annual report. All directors of our company hold office until the next annual meeting of our shareholders or until their successors have been elected and qualified. The executive officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office.

Name	Position Held with Our Company	Age	Date First Elected or Appointed
Pang Siew Man	Chief Executive Officer	58	October 1, 2008
Edwin Chan	Chief Financial Officer	43	July 24, 2008
Kenneth Lee	Chief Operating Officer	46	July 24, 2008
Wong Yuen Yee	Director	46	July 24, 2008
Wong Yao Wing	Director	50	July 24, 2008
Andrew B. Kramer	Director	46	July 24, 2008

Business Experience

The following is a brief account of the education and business experience during at least the past five years of each director, executive officer and key employee of our company, indicating the person's principal occupation during

that period, and the name and principal business of the organization in which such occupation and employment were carried out.

Siew Man Pang, MHA – Chief Executive Officer

Mr. Pang has over 30 years of senior management experience in the healthcare industries of Hong Kong, China, Australia, Singapore and Malaysia. Mr. Pang was most recently the Group Executive Director of Health Management International Limited, a Singapore-listed regional healthcare service and education provider. Mr. Pang was the Executive Director and Senior Vice President of United Premier Medical Group (UPMG). Before that, he was the Director of Medical Services of ChinaCare Investments Holdings Ltd, a company specializing in innovative investments in the China's healthcare market. Prior to ChinaCare, Mr. Pang was the Executive Director of Quality HealthCare Asia Ltd (QHA), the first public-listed healthcare services company in the main board of the Hong Kong Stock Exchange (Stock No. 593), and Chairman and Chief Executive of its Managed Care division, Quality HealthCare Medical Services Ltd. From 1990 to 1998, Mr. Pang was the Chief Development Officer and Deputy Director of the Hong Kong Hospital Authority. He was recruited from Australia by the then newly formed Authority to help integrate and reform the 45 Government and Government-subsidized hospitals to better serve the changing healthcare needs of the people of Hong Kong.

Mr. Pang obtained his B.Sc, Master of Health Administration and Business Computing degrees from Australia and senior management training at Stanford University. Currently he is a trained surveyor on healthcare facilities accreditation of the Australian Council on Healthcare Standards, a national accreditation body of Australia.

Kenneth Lee, M.D., Chief Operating Officer

Dr. Kenneth Lee has over 17 years of experience working in various sectors of the healthcare industry in the United States, mainland China and Macao. Prior to his current position, he was the Chief Operating Officer of the University Hospital of Macau University of Science and Technology Foundation. Before joining United Premier Medical Group, he was the founder and Chief Executive Officer of American-Sino Human Resources Internationalization and Consulting, Ltd, a PRC wholly foreign-owned enterprise. He also served as Medical Director of Huashan Hospital American-Sino OB/GYN Services (ASOG) in Shanghai and Senior Management Consultant for ASOG in Beijing. Prior to moving to China, he was the Regional Care Management Medical Director for United Health Group, the largest health insurance company in the United States. He has also served on the Board of Managers for the Northern Ohio Alliance for Health, Ltd., an 11-hospital coalition, providing managed care leadership. Dr. Lee has also served as the Director of the Resurrection Healthcare Family Medicine Residency program in Chicago. In the early 1990's, Dr. Lee was also the founder and Managing Director of a single specialty group practice in Ohio, USA.

Dr. Lee obtained his doctor of medicine (M.D.) degree from the Medical University of Ohio and graduate degrees in Master of Business Administration (MBA) and Master of Public Health (MPH) from the University of South Florida. In addition, he is board certified in family medicine (FAAFP), managed care medicine (CMCM) and as certified physician executive (CPE) by the American College of Physician Executive.

Edwin Chan, Chief Financial Officer

Mr. Edwin Chan was a director of Biopack Environmental Solutions Inc. (a publicly listed OTC Bulletin Board company) from March 2007 to March 2008 and was the chief financial officer of the company for the third quarter of 2007, where he was responsible for financial reporting, corporate finance and investment analysis of the company. From 2004 to 2006, Mr. Chan was a Senior Manager at China Everbright Securities (HK) Limited, a PRC-based investment banking firm, where he was responsible for sales and brokerage of securities to institutional investors in the Greater China Region. From 2002 to 2004, he was the Senior Manager (Business Valuation) of Vigers Appraisal & Consulting Limited. From 2000 to 2002, Mr. Chan was the Research Manager for Asia Financial Securities Limited.

Mr. Chan was awarded an MBA degree in 1999 from the Schulich School of Business, York University, Canada, with a specialization in Corporate Finance, Investment and Financial Management. He has also obtained an LL.B. degree from Tsinghua University in the Peoples Republic of China, a Bachelor of Science degree from the Chinese University of Hong Kong and a postgraduate certificate in Education from the University of Hong Kong.

Wong Yuen Yee, Director

Ms. Y. Y. Wong has over fifteen years of practical business experience in the PRC. She is responsible for the overall strategic planning and development of UPMG. In addition to the position held at UPMG, Ms. Wong founded Inno-tech Holdings Ltd. (8202.HK), which was successfully listed in the Hong Kong Growth Enterprise Market ("GEM") market in 2002. Ms. Wong is the Chairman of Inno-Tech Holdings Ltd. - a listed company on the Share Exchange of Hong Kong focusing on sales and marketing of innovative smart home products in the PRC and also the acquisition, development and management of budget hotels in the PRC. Ms. Wong graduated from the University of Hong Kong with a Bachelor of Social Science degree and a Masters degree in Business Administration. She is enthusiastic about the welfare of China's women and children. Ms. Wong is a Director of the Shanghai Soong Ching Ling Foundation. The foundation is dedicated to developing the welfare of Chinese women and children.

Wong Yao Wing, Director

Mr. Robert Wong is a typical entrepreneur who founded his first IT business in Hong Kong 15 years ago. His IT business was proven a great success and was soon acquired by Legend Holdings Limited. Subsequently, Mr. Wong joined HealthAnswers Inc. - a U.S. based comprehensive and integrated health communications company providing health information and service to patients through the continuum of healthcare, and set up the Asia Division of HealthAnswers. Mr. Wong's tenure at HealthAnswers granted him good exposure of the healthcare industry in the region. After then, Mr. Wong founded Inno-tech Holdings Ltd. (8202.HK), which was successfully listed in the Hong Kong GEM market in 2002. Mr. Wong is now the Deputy Chairman of the company. Mr. Wong graduated from the University of Hong Kong with a Bachelor of Science Honor degree, a Certification of Education and a Masters degree in Business Administration. Mr. Wong received the Chief Executive's Commendation for Community Service in July 2005.

Andrew B. Kramer, Director

Mr. Andrew Kramer is a Registered Investment Advisor. He is President and Portfolio Manager at Kramer Capital Management an investment firm managing over 100 million dollars. Mr. Kramer has been an investment professional for over twenty years the last 15 he has been associated with Third Avenue Management, the value investment firm founded by the legendary value investor Martin J. Whitman. In addition to Kramer's duties at Kramer Capital he chairs The Board of Trustees of a 12 million dollar annual budget non profit organization and is a board member of various private companies. He was a graduate of Colgat University 1984 with a double major in English and History.

Significant Employees

Daisy Sin, Director -VIP Maternity & GYN Centers

Daisy Sin has over 12 years experience in private healthcare organizations in Hong Kong, Macau and China. Ms Sin joined United Premier Medical Group (UPMG) in 2003 and was the founder of the VIP Maternity & GYN Centers in the main cities of China including: Shanghai, Guangzhou, Wuxi, Foshan, Changsha, Xiamen and Hangzhou. In September 2006, she was seconded by the group to University Hospital, Macau as the Deputy Chief Operating Officer. She was also the founder of the International Medical Center, Executive Health Management Center, Medical Skin & Laser Center, Integrated Rehab Service Center and Sleep Disorder Management Center of the Hospital. Before joining UPMG, Ms. Sin was the Administration Manager of Quality HealthCare Asia Ltd., the first listed healthcare company on the Stock Exchange of Hong Kong.

Xiu-sheng Cheng, Director -Government & Legal Affairs

Xiu-sheng Cheng has over 26 years of China healthcare experiences in clinical medicine, healthcare administration and management for various hospitals, health bureau administrative organizations and medical foundations. He was also one of the Founders of International Medical Network Center (IMNC) of the China Medical Foundation. Prior to his current position, Mr. Cheng was the Deputy General Manager of Shanghai Distance Learning Medical Network Co., Ltd., and the Information Center of Shanghai Health Bureau. Prior to 2003, he was the Executive Vice Secretary-General of IMNC. Mr. Cheng was the Vice President of American Brother Industrial Co., Ltd. and concurrent board member and Vice President of Shanghai Huawang Technic & Trade Co., Ltd. In the early 1990s, he undertook the positions of Doctor-in-charge and Deputy Director in Health Bureau administrative organizations and Class3A hospitals. Mr. Cheng graduated from the top Fudan University (formally Shanghai Medical University) in Shanghai with a Bachelor degree of Social Medicine and Healthcare Administration and a MBA degree of Healthcare Economics. He was awarded a scholarship by the Chinese Medical Association in USA.

Faith Lam, Director – Accounting & Procurement

Faith Lam has had a long career in Auditing since 1990. In 1994, he joined Deloitte Touche Tohmatsu, one of top four auditing firms in Hong Kong. Prior to joining our group, Mr. Lam was a government qualified accountant of a public company listed on the main board of the Stock Exchange of Hong Kong. Mr. Lam graduated from Hong Kong Shue Yan College (the predecessor of Hong Kong Shue Yan University) in 1990 majoring in Accounting. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants.

Involvement in Certain Legal Proceedings

None of our directors, executive officers, promoters or control persons has been involved in any of the following events during the past five years:

1. any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
2. any conviction in a criminal proceeding or being subject to a pending criminal proceeding, excluding traffic violations and other minor offences;
3. being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; or
4. being found by a court of competent jurisdiction in a civil action, the Securities and Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and persons who own more than 10% of our common stock to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common stock and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the SEC regulations to furnish us with copies of all Section 16(a) reports that they file.

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended September 30, 2008, all filing requirements applicable to our officers, directors and greater than 10% percent beneficial owners were complied with, with the exception of the following:

Name	Number of Late Reports	Number of Transactions Not Reported on a Timely Basis	Failure to File Required Forms
Gerald W. Williams	2(1)	2(1)	1
Roy D. West	2(2)	2 (2)	1
Henry J. Macfarland	1(3)	1(3)	1
Pang Siew Man	1(3)	1(3)	1
Edwin Chan	1(3)	1(3)	1
Kenneth Lee	1(3)	1(3)	1
Wong Yuen Yee	1(3)	1(3)	N/A
Wong Yao Wing	1(3)	1(3)	1
Andrew B. Kramer	1(3)	1(3)	1

(1) Gerald W. Williams filed a late Form 3 – Initial Statement of Beneficial Ownership of Securities and a late Form 4 – Statement of Changes in Beneficial Ownership.

(2) Roy D. West filed one late Form 3 – Initial Statement of Beneficial Ownership of Securities and 1 late Form 4s - Statement of Changes in Beneficial Ownership.

(3) The named executive officer or director filed a late Form 3 – Initial Statement of Beneficial Ownership of Securities.

Code of Ethics

Our board of directors on April 30, 2005 adopted a formal written Code of Business Conduct and Ethics and Compliance Program for all officers, directors and senior employees. Our Code of Business Conduct and Ethics and Compliance Program was filed as an exhibit to our annual report on 10-KSB filed with the Securities and Exchange Commission on August 28, 2007.

Audit Committee and Audit Committee Financial Expert

Our board of directors has determined that it does not have a member of its audit committee that qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K, and is "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended.

We believe that the members of our board of directors are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. We believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated any material revenues to date. In addition, we currently do not have nominating, compensation or audit committees or committees performing similar functions nor do we have a written nominating, compensation or audit committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes the functions of such committees can be adequately performed by our board of directors.

Item 11. Executive Compensation

The particulars of the compensation paid to the following persons:

- (a) our principal executive officer;
- (b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the years ended September 30, 2008 and 2007; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the years ended September 30, 2008 and 2007, who we will collectively refer to as the named executive officers of our company, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than our principal executive officers, whose total compensation did not exceed \$100,000 for the respective fiscal year:

SUMMARY COMPENSATION TABLE									
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Share Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation on Earnings (\$)	All Other Compensation (\$)	Total (\$)
Gerald W. Williams Former President, Chief Executive Officer, Chief Financial Officer, Secretary, Treasurer and Director (1)	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Henry J. Macfarland Former Chief Executive Officer(2)	2008	Nil	Nil	Nil	Nil	Nil	Nil	127,733	127,733
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Pang Siew Man Chief Executive Officer	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Edwin Chan Chief Financial Officer(3)	2008	Nil	Nil	Nil	Nil	Nil	Nil	49,336	49,336
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Dr. Kenneth Lee Chief Operating Officer(4)	2008	Nil	Nil	Nil	Nil	Nil	Nil	135,010	135,010
	2007	Nil	Nil	Nil	Nil	Nil	Nil	102,657	102,657
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Wong Yuen Yee	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Wong Yao Wing	2008	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2007	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Andrew B. Kramer	2008 2007	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil	Nil Nil
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SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Share Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
	2006	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

- (1) Mr. Williams resigned as our president, chief executive officer, secretary and treasurer on July 24, 2008 when Henry J. Macfarland was appointed as chief executive officer of our company following the closing of the share exchange agreement.
- (2) On October 26, 2006, United Premier Medical Group (Hong Kong) Limited and American-Sino Human Resources Consulting & Management (Shanghai) Ltd. entered into a management service agreement concerning the appointment of Dr. Kenneth K. Lee as the Chief Operating Officer of United Premier Medical Group Limited and its subsidiaries and provision of related consulting services. A combined management and clinical service fee of about \$10,355 will be paid per month as the sole compensation for these consulting services. There is no arrangement or plan in which pension, retirement or similar benefits under this agreement. On June 1, 2007, United Premier Medical Group International Limited and American-Sino Internationalization Consulting & Management Limited entered into a management agreement for the renewal of the agreement dated October 26, 2006 for the appointment of Dr. Kenneth Lee as the Chief Operating Officer of United Premier Medical Group Limited and its subsidiaries and provision of related consulting services. A combined management and clinical service fee of about \$10,355 is paid per month as the sole compensation for these consulting services. There is no arrangement or plan in which pension, retirement or similar benefits under this agreement.
- (3) On October 15, 2007, United Premier Medical Group Limited and Stonebridge Healthcare Consulting, LLC entered into a consulting agreement concerning the engagement of Mr. Henry J. Macfarland as the Chief Executive Officer of United Premier Medical Group Limited and its subsidiaries and provision of related consulting services. An hourly fee of \$150 but not to exceed a maximum of \$1,200 per day is paid as the sole compensation for these consulting services. There is no arrangement or plan in which pension, retirement or similar benefits under this agreement.
- (4) On November 1, 2007, UPMG (International) Limited and Asset Spring Investments Ltd. entered into a consulting agreement concerning the engagement of Mr. Chan Kam-fai, Edwin as the Chief Financial Officer of United Premier Medical Group Limited and its subsidiaries and provision of related consulting services. A monthly consulting fee of about \$4,493 is paid as the sole compensation for these consulting services. There is no arrangement or plan in which pension, retirement or similar benefits under this agreement.
- (5) On October 1, 2008, the Company entered into an employment agreement with Mr. Pang Siew-man as the Chief Executive Officer of the Company and its subsidiaries with a monthly compensation of \$15,384 plus two months salary as the bonus. Mr. Pang is also entitled to a total of 500,000 share options of the Company exercisable at \$0.70 after the first anniversary of his employment with the Company. There is no arrangement or plan in which pension, retirement or similar benefits under this agreement.

We have not entered into any employment agreement or consulting agreements with our directors. There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive share options at the discretion of our board of directors in the future. We do not have any material bonus or profit sharing plans pursuant to which cash or non-cash compensation

is or may be paid to our directors or executive officers, except that share options may be granted at the discretion of our board of directors.

Stock Option Plan

Mr. Pang Siew-man, the Chief Executive Officer of the Company is entitled to a total of 500,000 share options of the Company exercisable at \$0.70 after the first anniversary of his employment with the Company, i.e. October 1, 2009. We do not have any other stock option plan in favor of our directors, other officers, consultants or employees of our company.

Stock Options/SAR Grants

We did not grant any options or stock appreciation rights during our fiscal year ended September 30, 2008.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Values

There were no options exercised during our fiscal year ended September 30, 2008 by any officer or director of our company.

Compensation of Directors

We do not have any agreements for compensating our directors for their services in their capacity as directors, although such directors are expected in the future to receive stock options to purchase shares of our common stock as awarded by our board of directors.

Our board of directors has determined that it does not have a member of its audit committee that qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K, and is "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended.

We believe that the members of our board of directors are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. We believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated any material revenues to date. In addition, we currently do not have nominating, compensation or audit committees or committees performing similar functions nor do we have a written nominating, compensation or audit committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes the functions of such committees can be adequately performed by our board of directors.

We have determined that Wong Yuen Yee, Wong Yao Wing and Andrew B. Kramer are independent directors, as that term is used in Item 7(d)(3)(iv)(B) of Schedule 14A under the *Securities Exchange Act of 1934*, as amended, and as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules.

Indebtedness of Directors, Senior Officers, Executive Officers and Other Management

None of our directors or executive officers or any associate or affiliate of our company during the last two fiscal years, is or has been indebted to our company by way of guarantee, support agreement, letter of credit or other similar agreement or understanding currently outstanding.

Family Relationships

There are no family relationships between any of our directors, executive officers or directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of December 19, 2008, certain information with respect to the beneficial ownership of our common shares by each shareholder known by us to be the beneficial owner of more than 5% of our common shares, as well as by each of our current directors and executive officers as a group. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership	Percentage of Class (1)
Andrew B. Kramer 622 Third Avenue 32nd Floor New York, NY 10017	Common Share	262,000	0.52%
Wong Yuen Yee Flat E, 12/F, Monticello, 48 Kennedy Road, Wanchai, Hong Kong	Common Share	1,287,587	2.57%
Wong Yao Wing Flat 27D, Blk 4, Tolo Place, Ma On Shan, Shatin, N.T. Hong Kong	Common Share	1,231,175	2.46%
Directors and Executive Officers as a Group	Common Share	2,780,762	5.55%
Autoscale Resource Ltd. Rm 903, Tung Wai Commercial Building 109 – 111 Gloucester Road Wan Chai, Hong Kong	Common Share	12,000,000	23.9%
Gerald W. Williams 5728 – 125A Street Surrey, BC V3X 3G8	Common Share	4,000,000	7.8%

* Less than one percent of issued and outstanding common shares.

- (1) Based on 50,148,000 shares of common stock issued and outstanding as of December 19, 2008. Except as otherwise indicated, we believe that the beneficial owners of the common shares listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws where applicable. Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Shares of common stock subject to options or warrants currently exercisable, or exercisable within 60 days, are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.

Equity Compensation Plans

Mr. Pang Siew-man, the Chief Executive Officer of the Company is entitled to a total of 500,000 share options of the Company exercisable at \$0.70 after the first anniversary of his employment with the Company, i.e. October 1, 2009. We do not have any other stock option plan in favor of our directors, other officers, consultants or employees

Changes in Control

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change of control of our company.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Except as disclosed herein, no director, executive officer, shareholder holding at least 5% of shares of our common stock, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transaction since the year ended February 28, 2007, in which the amount involved in the transaction exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at the year end for the last three completed fiscal years.

Loan from Companies Associated with United Premier Medical Group Limited

On June 20, 2007, Inno-Tech Holdings Limited (“Innotech”), a shareholder of the Company, loaned \$772,777 (equivalent to HK\$6,000,000) to UPMG for use as working capital and the repayment date is June 22, 2008. Pursuant to an agreement dated April 29, 2008 signed between Innotech and UPMG for the extension of loan repayment, it is agreed that repayment of full amount of the above-mentioned loans is extended as scheduled below:

Date of Loan Agreement	Loan Amount (\$)	Original Repayment Date	New Repayment Date
June 20, 2007	\$772,777 (HK\$ 6,000,000)	June 22, 2008	June 22, 2009

On January 10, 2008, Innotech loaned \$384,615 (equivalent to HK\$3,000,000) to UPMG with the repayment date on January 9, 2009. On January 25, 2008, Innotech loaned another \$512,820 (equivalent to HK\$4,000,000) to UPMG with the repayment date on January 24, 2009. Pursuant to an agreement dated April 29, 2008 signed between Innotech and UPMG for the extension of loan repayment, it is agreed that repayment of full amount of the above-mentioned loans is extended as scheduled below:

Date of Loan Agreement	Loan Amount (\$)	Original Repayment Date	New Repayment Date
January 10, 2008	\$384,615 (HK\$3,000,000)	January 9, 2009	July 9, 2009
January 25, 2008	\$512,820 (HK\$4,000,000)	January 24, 2009	July 24, 2009

Item 14. Principal Accounting Fees and Services

The aggregate fees billed for the fiscal years ended September 30, 2008 and 2007 for professional services rendered by the principal accountant for the audit of our annual financial statements included in our annual reports on Form 10-KSB and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended	
	September 30, 2008	September 30, 2007
Audit Fees	\$75,000	\$25,000
Audit Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
Total	\$75,000	\$25,000

Our board of directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the board of directors either before or after the respective services were rendered.

Our board of directors has considered the nature and amount of fees billed by our independent auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining our independent auditors' independence.

PART IV

Item 15. Exhibits, Financial Statement Schedules

Exhibit No.	Description
(2)	Plan of Purchase, Sale, Reorganization, Arrangement, Liquidation or Succession
2.1	Share Exchange Agreement dated January 20, 2008, among our company, United Premier Medical Group and the selling shareholders of United Premier Medical Group as set forth in the share exchange agreement (incorporated by reference from our Current Report on Form 8-K filed on January 28, 2008)
(3)	Articles of Incorporation and By-laws
3.1	Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB- 2 filed on July 29, 2005)
3.2	Bylaws (incorporated by reference from our Registration Statement on Form SB-2 filed on July 29, 2005)
(10)	Material Contracts
10.1	Option To Purchase And Royalty Agreement between The Cavalier Group and Larry Gervais of Timmins, Ontario, dated April 25, 2005 to acquire a 100% interest in the Casa Claim Block, Porcupine Mining Division, Ontario.(incorporated by reference from our Registration Statement on Form SB-2 filed on July 29, 2005)
10.2	Code Of Business Conduct & Ethics and Compliance Program (incorporated by reference from our Annual Report on Form 10-KSB filed on August 28, 2008)
10.3	Educational and Consulting Services Agreement between JHI and PMEHK dated June 15, 2002.
10.4	Licensing Agreement between JHI and PMEHK dated June 15, 2002.
10.5	Novation and Assignment Agreement for Education and Consulting Services Agreement between PMEHK, PMEUS and JHI.
10.6	Novation and Assignment for Licensing Agreement between PMEHK, PMEUS and JHI dated April 11, 2003.
10.7	Amendment to Licensing Agreement between JHI and PMEUS dated August 8, 2003.
10.8	Second Amendment to Licensing Agreement between JHI and PME dated June 10, 2004.
10.9	First Amendment to Educational And Consulting Services Agreement between JHI and PME dated June 10, 2004.
10.10	Description of Co-operative Agreement between IPMCHH and UPMG (U.S.) Limited dated March 31, 2005.
10.11	Description of Co-operative Agreement between IPMCHH and PMEHK dated February 2, 2004.
10.12	Description of Co-operative Agreement between IPMCHH and PMEHK dated March 21, 2003.
10.13	Description of Technical Exchange and Cooperative Agreement between Xiamen Maternity and Child Health Care Hospital and Proactive Medicare (Xiamen) Company Limited dated March 6, 2005.
10.14	Description of Co-operative Agreement between Jinan Maternity and China Care Hospital and Proactive Medicare Enterprise (Jinan) Limited dated February 5, 2004.

Exhibit No.	Description
10.15	Description of Co-operative Agreement between Beijing Obstetrics & Gynecology Hospital and Proactive Medicare (Beijing) Company Limited dated April 25, 2004.
10.16	Co-operative Agreement between Foshan Maternal and Children's Hospital and Proactive Medicare Services (Hong Kong) Limited dated February 27, 2004
10.17	Description of Supplemental Agreement to the Co-operative Agreement between Foshan Maternal and Children's Hospital and Proactive Medicare Services (Hong Kong) Limited dated February 27, 2004
10.18	Description of Co-operative Agreement between The Second Affiliated Hospital of Guangzhou Medical College and UPMG (Guangdong) Company Limited dated November 18, 2003.
10.19	Description of Co-operative Agreement between Changsha Maternity and Child Hospital and Proactive Medicare (Changsha) Company Limited dated July 7, 2004.
10.20	Supplemental Agreement to the Co-operative Agreement between Changsha Maternity and Child Hospital and Proactive Medicare (Changsha) Company Limited dated July 7, 2004.
10.21	Description of Co-operative Agreement between Wuxi Maternity and Children Hospital and Proactive Medicare (Wuxi) Company Limited dated April 19, 2004.
10.22	Description of Supplemental Agreement to the Co-operative Agreement between Wuxi Maternity and Children Hospital and Proactive Medicare (Wuxi) Company Limited dated April 19, 2004.
10.23	Technical Exchange and Co-operative Agreement between Hangzhou Tin Mu Shan Hospital Limited and Proactive Medicare (Hangzhou) Company Limited dated August 20, 2005.
10.24	Description of Technical Exchange and Co-operative Agreement between Proactive Medicare (Jiangsu) Company Limited and Jiangsu Province Women and Children Hygiene and Health Center/the Auxiliary Ward of the Jiangsu Province People's Hospital dated September 29, 2005.
10.25	Agreement between Data Pacific Medical Group Limited and UPMG (Hong Kong) Limited dated June 28, 2006.
10.26	Hospital Management, Hospital Services Development and Related Consulting Services Agreement between The University Hospital of Macau University of Science and Technology Foundation and UPMG (Macau) Limited dated October 1, 2006.
10.27	Amendment Agreement to the Hospital Management, Hospital Services Development and Related Consulting Services Agreement between The University Hospital of Macau University of Science and Technology Foundation and UPMG (Macau) Limited dated June 27, 2007.
10.28	Management Services Agreement between UPMG (Hong Kong) Limited and American-Sino Human Resources Consulting and Management (Shanghai) Ltd. Dated October 26, 2006.
10.29	Services Agreement PMEHK and PMEUS dated March 28, 2004.
10.30	Project Consultancy Agreement between PMEHK and PMEUS dated March 28, 2004.
(21)	Subsidiaries of the Small Business Issuer
	UPMG International Limited
	Proactive Medicare Enterprise (Hong Kong) Limited
	Proactive Medicare (Shenzhen) Company Limited

Exhibit No.	Description
	Proactive Medicare (Changsha) Company Limited
	Proactive Medicare (Xiamen) Company Limited
	Proactive Medicare (Nanjing) Company Limited
	Proactive Medicare (Hangzhou) Company Limited
	Proactive Medicare (Wuxi) Company Limited
	United Premier Medical Group (Shanghai) Limited
	Proactive Medicare Services (Hong Kong) Limited
	Proactive Medicare (Beijing) Company Limited
	UPMG (Hong Kong) Limited
	UPMG (US) Limited
	Guangzhou Inno-Proactive Medicare Consultancy Limited
	Shanghai Proactive Medicare Health Education Center Limited
	UPMG (Shenzhen) Limited
	Broad Prosper Limited
	UPMG (Macau) Company Limited
(31)	Section 302 Certifications
31.1*	Section 302 Certification of Principal Executive Officer.
31.2*	Section 302 Certification of Principal Financial Officer and Principal Accounting Officer.
(32)	Section 906 Certification
32.1*	Section 906 Certification of Principal Executive Officer.
32.2*	Section 906 Certification of Principal Financial Officer and Principal Accounting Officer.

**filed herewith*

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHINA HEALTH CARE CORPORATION

/s/ Siew Man Pang

By: **Siew Man Pang**
Chief Executive Officer,
(Principal Executive Officer)
Dated: December 29, 2008

/s/ Edwin Chan

By: Edwin Chan
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)
Dated: December 29, 2008

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ Siew Man Pang

By: **Siew Man Pang**
Chief Executive Officer,
(Principal Executive Officer)
Dated: December 29, 2008

/s/ Edwin Chan

By: Edwin Chan
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)
Dated: December 29, 2008

/s/ Wong Yuen Yee

By: Wong Yuen Yee
Director
Dated: December 29, 2008

/s/ Wong Yao Wing

By: Wong Yao Wing
Director
Dated: December 29, 2008

/s/ Andrew B. Kramer

By: Andrew B. Kramer
Director
Dated: December 29, 2008

**CERTIFICATION PURSUANT TO
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Siew Man Pang, certify that:

1. I have reviewed this annual report on Form 10-K of China Health Care Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to date a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this annual report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls and procedures for financial reporting.

Date: December 29, 2008

/s/ Siew Man Pang
Siew Man Pang
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Edwin Chan, certify that:

1. I have reviewed this annual report on Form 10-K of China Health Care Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to date a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this annual report;
4. The small business issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the small business issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - (d) Disclosed in this report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of the small business issuer's board of directors (or persons performing the equivalent functions):
 - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
 - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls and procedures for financial reporting.

Date: December 29, 2008

/s/ Edwin Chan

Edwin Chan

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Siew Man Pang, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report on Form 10-K of China Health Care Corporation for the year ended September 30, 2008(the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of China Health Care Corporation.

Dated: December 29, 2008

/s/ Siew Man Pang
Siew Man Pang
Chief Executive Officer
(Principal Executive Officer)
China Health Care Corporation

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to China Health Care Corporation and will be retained by China Health Care Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Edwin Chan, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) the Annual Report on Form 10-K of China Health Care Corporation for the year ended September 30, 2008(the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of China Health Care Corporation.

Dated: December 29, 2008

/s/ Edwin Chan
Edwin Chan
Chief Financial Officer
(Principal Financial Officer and Principal
Accounting Officer)
China Health Care Corporation

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to China Health Care Corporation and will be retained by China Health Care Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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