

RESULTS

For the year ended 31 March 2004, the Group reported a turnover of approximately HK\$222.8 million, representing a decrease of 9.2% as compared to HK\$245.4 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK\$52 million as compared to approximately HK\$63.4 million for the previous financial year. Basic loss per share for the year was HK\$0.37 (2003: HK\$0.88).

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 March 2004.

BUSINESS OPERATION

Given China's strong and rapid economic growth and its corresponding impact on healthcare related business opportunities, the Directors decided to reposition the Group's focus on the PRC healthcare sector. As such, the Group successfully forged strategic partnerships with the Ministry of Health of the PRC (the "MOH") and procured additional funding to embark on developing a facilitating platform for international healthcare players to gain timely and cost-effective access to the PRC healthcare market. Having successfully completed a wide range of initiatives to create a strategic platform, going forward the Group seeks to create shareholder's value by capitalising on projects that are closely linked with the growing demand for improved healthcare products and services in the PRC.

In line with the repositioning of the Group's focus and the tough competitive landscape of the low-end electronic parts industry, the Group disposed of its entire equity interest in its electronic parts and components manufacturing business, which suffered an operating loss of approximately HK\$9.2 million for the current year (2003: HK\$5.4 million). The Group intends to phase out the remaining unprofitable electronic parts trading business in the future.

In taking steps to effectively capture a piece of the growing PRC healthcare market, the Group has identified specific growth areas and proceeded as follows:.

(I) Beijing Universal Medical Assistance Company Limited (“BUMA”)

In May 2004, the Group entered an agreement to acquire a 62.36% equity interest in BUMA, the only Sino-foreign joint venture company authorised by the MOH to operate an exclusive nationwide medical assistance service and certain other premium medical services in the PRC. The MOH will retain its 30% equity interest in BUMA and be a key strategic partner that will facilitate the commercialisation of every aspect of the business. At present, BUMA offers a membership service that provides its fee-paying members guaranteed access to the nationwide network of hospitals that have been pre-selected for their medical excellence by the MOH to provide emergency assistance and other premium medical services. The three principal businesses of BUMA are:

Emergency/Accident Medical Assistance

BUMA is the only designated entity to utilise a nationwide network of 914 hospitals (the “Network Hospitals”) pre-selected by MOH to provide 24-hour medical assistance services to its fee-paying members encountering certain emergencies or accidents in the PRC. BUMA has been working with a group of PRC and Hong Kong based insurance companies to sell its nationwide emergency assistance membership program that guarantees access to the Network Hospitals. Leveraging on the infrastructure extended by the Network Hospitals, BUMA aims to become the designated entity to provide nationwide emergency/accident medical services for the 2008 Beijing Olympics.

Green Channel Network/Premium Specialty Medical Services

The “Green Channel”, a project which is under progress, is to develop, brand and franchise a nationwide chain of premium VIP diagnostic and treatment medical centers in various specialties among these Network Hospitals in collaboration with some of the leading international hospitals, specialty medical practice groups and institutions to serve the growing demands and needs of more advanced medical and healthcare services in the PRC.

Clinic Operation

BUMA has entered into late stage discussions with certain leading international medical practice groups to develop and brand a specialty clinic that offers advanced cosmetic and plastic surgery procedures, eye care services and dental care services. Such a step will be the first of a series of strategic initiatives to build up a nationwide franchise of such specialty service clinics.

(II) Clinical Trials

In the first half of 2004, the Group established a wholly owned subsidiary, China Clinical Trials Centre Limited (“CCTC”), to operate a contract research organisation (the “CRO”) to facilitate the procurement of clinical trials and distribution licenses for international pharmaceutical and medical device companies that aim at local or global registration for their products. To pursue the clinical trials business, the Group signed a memorandum of understanding with a leading regional clinical research institution in May 2004 to provide technical and operational support to the CRO. The Group’s business development efforts have resulted in ongoing concrete discussions to work with certain biotechnology companies in the United States and other western countries to secure a number of clinical trial projects in the PRC.

(III) Safe Blood For China

Another exciting project in the Group’s business pipeline is called “Safe Blood for China” (the “Project”). The objective of the Project is to ensure safe and efficient blood supply and transfusion throughout the PRC. The Project assimilates a similar project in Africa, where an independent body will raise funding and assemble the relevant medical experts and expertise globally. The Group will work closely with the MOH and other PRC authorities to drive the overall management of the Project on a turnkey basis, i.e. to procure and deliver the whole package solution of quality blood supply and transfusion systems to blood centers and hospitals throughout the PRC. In connection with the Project, the Group has consolidated Shanghai Haoyuan Biotech Company Limited as its subsidiary, which engages in developing, producing and marketing clinical reagents and other related products highly relevant to the Project.

STRATEGIC RELATIONSHIPS

The Company is very pleased to have brought in several highly valuable strategic shareholders during the year. The two most prominent strategic shareholders are swissfirst (Lie) Opportunities Anlagegesellschaft AG (“Swiss Fund”) and Guo Kang Pharmaceutical and Medical Supplies Limited (“Guo Kang”). The Swiss Fund is a Liechtenstein incorporated fund with more than CHF one billion under its management and long term Swiss and European institutional and private investors as its principals, and Guo Kang is the Hong Kong based window company of the MOH and non-competing and exclusive strategic partner of the Company. These two shareholders, together with other international institutional investors, have been contributing in significant ways to the ongoing business development of the Group.

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Company completed several fund raising exercises from the issuance of both ordinary shares and convertible bonds. These fund raising exercises greatly improved the financial position of the Group. The Group’s cash and cash equivalents amounted to approximately HK\$71.4 million as at 31 March 2004.

Management Discussion and Analysis

The Group's total borrowings as at 31 March 2004 comprised:

| | <i>HK\$ '000</i> |
|----------------------------------|------------------|
| Obligations under finance leases | 67 |
| Convertible bonds | 20,460 |
| | <hr/> |
| | 20,527 |
| | <hr/> <hr/> |

On this basis, the gearing ratio is calculated at 0.17 (2003: 0.46), based on an amount of shareholders' equity of HK\$122,162,000 (2003: HK\$60,000,000).

After the balance sheet date, the Group raised approximately HK\$36 million from the issue of shares pursuant to the subscription agreement dated 18 February 2004.

CONTINGENT LIABILITIES

At 31 March 2004, there was no contingent liability of the Group while HK\$1.3 million in respect of bills discounted with recourse was noted in previous year.

CHARGE ON GROUP'S ASSETS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2004, the Group employed 18 staff members. Total staff cost including Directors' emoluments was HK\$27.8 million as compared to HK\$37.8 million for the previous year.

The Group continues to review remuneration packages of employees with reference to the level and composition of pay, the general market condition and individual performance. Staff benefits include contributions to the Mandatory Provident Fund Schemes and a discretionary bonus payment which is linked to the profit performance of the Group and individual performance. A share option scheme has also been established for employees of the Group.

NEW DIRECTORSHIPS

The Group is very pleased to have succeeded in getting two outstanding talents on board: Mr. Lee Jong Dae and Mr. Deng Ku Hon.

Mr. Lee Jong Dae was appointed as an Executive Director of the Company on 8 July 2004 and is also the Chief Executive Officer of the Company. Mr. Lee is an experienced international lawyer and investment banker who has worked in Hong Kong for nearly twenty years. Prior to joining the Company, Mr. Lee was a partner at the leading international law firm Coudert Brothers and held a variety of senior roles at a number of major bulge bracket and leading regional financial institutions that focused on complex cross border transactions (many of them China related) in the corporate and finance areas. With his wealth of legal, regulatory and corporate finance experience, Mr. Lee brings to the Company invaluable intellectual capital and professional experience.

Mr. Deng Ku Hon was appointed as an Executive Director of the Company on 8 July 2004 and is primarily responsible for managing BUMA's day-to-day operations in Beijing. While Mr. Deng is a successful entrepreneur, he is also an experienced business operation and corporate/financial management executive. Mr. Deng held a number of high-level financial positions with Great Wall Industry Corporation and China Aerospace International Holdings Group Ltd. before moving into his entrepreneurial pursuits. Leveraging on Mr. Deng's extensive network of relationships and business development experience in the PRC, he will be of great value to the Group's PRC operation.

FUTURE PROSPECTS

The overall strategy of the Group in the PRC healthcare sector is to provide valued added premium services by utilising PRC healthcare infrastructure that the Group has unique and privileged access to. The key initiatives to further expand its businesses operations in the coming year include:

- Work with international insurance companies; travel agents and other distribution channels to expand BUMA's emergency assistance membership program ;
- Develop, brand and franchise multiple premium VIP specialty medical centers nationwide;
- Work with leading international medical practitioners to create, brand and franchise a nationwide franchise of cosmetic surgery, eye care and dental care clinics; and
- Develop and execute strategic and operational initiatives as the turnkey manager for the "Safe Blood for China" project.

We look forward to quickly creating franchised and synergetic value from what has been outlined above. Under the leadership of the new Board and senior management and the continued support of our shareholders and business partners, we are highly confident that the Group will have many exciting and rewarding progress in the near future.