

Dear Shareholders,

In many respects, the end of fiscal year 2005 on March 31st marked the beginning of a new era for China HealthCare Holdings Limited (the "Company") and its subsidiaries (the "Group"). With the start of the new financial year, the Group has completely closed the book on legacy electronics operations, and begins as an operation focused on one objective: to provide a range of high quality healthcare services in the People's Republic of China ("PRC") in partnership with the PRC Ministry of Health ("MOH"), China's leading hospitals, and some of the world's leading international healthcare institutions. Fiscal 2005 was a year of transition and gestation, as our new healthcare businesses were validated and are being developed toward the aggressive roll out and expansion phase planned for the current year, fiscal 2006. This is an exciting time for the Company, as we lay the groundwork for the development of our business for years to come.

We are confident that our overall business development strategy of focusing on several inter-related healthcare service areas, via our public private partnership with the MOH and China's leading hospitals and our strategic partnership with leading international healthcare institutions, is competitively sustainable and highly scalable. Working closely with the MOH and other domestic and international partners, we will aim at achieving operational objectives and creating shareholder value in our targeted areas in this and future years.

Among the key highlights of the past year in our focused business areas are:

- 1) In June of 2004, the Group closed its acquisition of a 70% stake in Beijing Universal Medical Assistance Co., Ltd. ("BUMA"), thereby cementing the foundation of our partnership with the MOH via a nationwide network of 914 hospitals (the "Network Hospital") to exclusively operate our nationwide Emergency Assistance Medical Services ("EAMS") membership program, both to offshore travelers and domestic Chinese.
- 2) Working with a base of a selected subgroup of leading Network Hospitals, the Group has been operating our premium healthcare management services membership program, named the Health Asset Management Service ("HAMS"), inaugurating a new healthcare and clinical procurement membership service for upper middle and high-end healthcare consumers in the PRC. In December of 2004, the Group officially launched its HAMS program in Beijing via BUMA and subsequently in June of 2005, the Group launched its HAMS program in Shanghai via its subsidiary CHC Medical and Healthcare Services Limited. The HAMS "Members Only" clinics, combined with the Group's "Green Channel" access to leading hospitals, are unmatched in terms of depth and breadth of managed health care and medical care in China.

- 3) By partnering with top-tier Chinese hospitals in selected medical specialties and leading international medical institutions, the Group is developing Premium Specialty Centers ("PSCs") in Chinese major cities. In June 2005, the Group completed the contracts to launch its PSC in OB/GYN in Shanghai with Shanghai First Maternity and Infant Health Hospital, where the School of Medicine of the University of California, San Diego is the branding and knowledge transfer partner. The Group is in the process of launching more PSCs of similar types in OB/GYN and other specialties.

In addition, we opened our first "CHC Aesthetic Center" in Beijing in Spring 2005 and are positioned to open our second aesthetic center in Shanghai, and in May of 2005, the Company issued US\$6.6 million of convertible bonds to international investors, putting the Group on stronger financial footing to more rapidly scale the Group's business lines, particularly in PSCs and cosmetic surgery clinics. As shall be discussed at greater length in subsequent sections of this Annual Report, the Group has also made significant strides toward putting in place our core medical service capacity in our focused areas, and we look forward to updating our efforts in the future.

The Group has taken a strategic and long-term view of reinforcing our relationship with the MOH by creating social value in addition to creating economic value. In March of 2005, the Group played a key facilitating role between the Safe Blood International Foundation ("SBIF") and the MOH to establish a Framework Agreement to officially launch the Safe Blood for China ("SBFC") project. Subsequently, in June 2005, the Group signed a Framework Facilitation Agreement with SBIF to provide products and services related to the implementation of the nationwide project. In order to create synergy with SBFC project, in August of 2004 the Group completed our acquisition of a 100% stake in Shanghai Haoyuan Biotech Co., Ltd., putting in place an ability to develop, manufacture, and market nucleic acid test ("NAT") kits for an assortment of blood-borne communicable diseases such as Hepatitis B and C as well as HIV.

In closing, I would like to thank the staff of the Group for their tremendous efforts over the past year. I would also like to express my sincere and heartfelt thanks to the investors, partners, and customers who have seen fit to place their trust in the Group in this and previous years. This is an exciting time for the Group. With capable and hardworking staff, and a focused senior management team united in our vision for healthcare in China, I am highly confident that the Group will create significant value for shareholders for many years to come.

Yours sincerely,

Dr. Li Zhong Yuan
Chairman

Hong Kong
27 July 2005