RESULTS

For the year ended 31 March 2005, the Group reported a turnover of approximately HK$34.8 million, representing a decrease of 84.4% as compared to HK$222.8 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$51.9 million as compared to approximately HK$52.0 million for the previous financial year. Basic loss per share for the year was HK$0.24 (2004: HK$0.37).

FINAL DIVIDEND

The Group's Directors do not recommend the payment of a final dividend for the year ended 31 March 2005.

BUSINESS OPERATION

The Group's Directors have elected to continue the Group's exclusive focus on the PRC healthcare sector, and remain confident that the current opportunity set has the potential to create significant shareholder value. The repositioning executed during fiscal 2004 put the Group in a strong position to develop a set of interrelated and complementary premium healthcare-related businesses, and recent developments have served to strengthen management's confidence in the Group's general business strategy. The Group, working in an expansive public-private partnership with the Chinese Ministry of Health (the "MOH") and leading public hospitals in China, and via other strategic partnerships with leading international healthcare institutions, is emerging as a facilitating platform with which to pursue viable healthcare-related opportunities in China.

As the Group executes on its strategy to capture market share in the rapidly expanding PRC healthcare sector, it has focused its staff and financial resources in several key business areas, all of which leverage the resources of our public-private partnership with MOH and leading public hospitals. The services offered in these various business areas may differ, yet management expects significant operating synergies can be achieved through cross-selling and customer referrals, unified branding and marketing strategies, joint implementation and shared best practices, and joint utilization of sales, general, and administrative staff. The following are the key business areas:

(I) Emergency Assistance Medical Services ("EAMS")

The Group, through its subsidiary Beijing Universal Medical Assistance Co. Ltd ("BUMA"), continues to be the only designated entity with the right to utilize a nationwide network of 914 hospitals (the "Network Hospitals") pre-selected by MOH to provide 24-hour emergency medical assistance services to its fee-paying members, principally foreign travelers and expatriates in the PRC and domestic Chinese business and leisure travelers. BUMA offers EAMS members guaranteed access to the Network Hospitals and guarantees payment in accordance with each member's accident and health insurance reimbursement scheme. BUMA operates a 24-hour call center to handle emergency calls from members, maintains a customer database to determine appropriate response, and manages the interface between members and the Network Hospitals on an ongoing basis.

A sample of an MOH Network Hospital accreditation plaque.

During the first six months of calendar year 2005, BUMA's EAMS program has been serving the needs of approximately 40,000 fee paying members. BUMA did not recruit additional members during this period while it ensured that it could properly manage EAMS operations. Operational results during the period proved satisfactory, and BUMA is embarking upon an aggressive membership recruitment and marketing campaign in the second half of the calendar year.

BUMA has recently signed an agreement with American International Assurance Company, Limited ("AIA"), a wholly-owned subsidiary of American International Group, Inc. ("AIG"), to provide AIA's 100,000 local customers in China with 24-hour access to BUMA's emergency hotline for medical consulting services and hospitalization assistance services. BUMA continues to work actively to build up the EAMS membership base, and is in negotiations with a number of potential channel partners, including insurance companies, financial institutions, and travel agencies.

(II) Health Asset Management Services ("HAMS")

Beijing HAMS Clinic reception.

The Group has developed its Health Asset Management Services business to directly provide high quality managed healthcare, and to build on the unique access provided via the Network Hospitals. Two HAMS Centers have been opened to date, the first in Beijing, and the second in Shanghai. Targeting high income individuals and executives, HAMS provides: 24-hour personal concierge call center services to handle all members' inquiries and to secure the best available medical treatment; health evaluation and illness diagnosis by in-house medical staff or leading medical institutions; electronic health record maintenance and follow-up; annual medical checkups with detailed post-examination diagnosis and proactive health assessment consultations; and other services related to the provision of premium health management services.


In December 2004, MOH Vice Minister Huang Jiefu and other MOH officials with Zhongyuan Li and JD Lee commemorating the launch of HAMS in Beijing.

Building on the high level of care and service provided at the HAMS Clinic, HAMS leverages the Network Hospitals through "Green Channel" relationships with leading Chinese medical institutions. As of July 15, 2005, fifty-four medical institutions, primarily in Beijing and Shanghai, have executed agreements with BUMA to furnish members with care on a preferred, priority basis, and BUMA is working proactively to finalize agreements with additional hospitals in order to further expand Green Channel access. The establishment of such relationships with select Network Hospitals is an important and unrivalled asset of the Group as it forms a key infrastructural backbone for the Group to leverage across all its business areas.

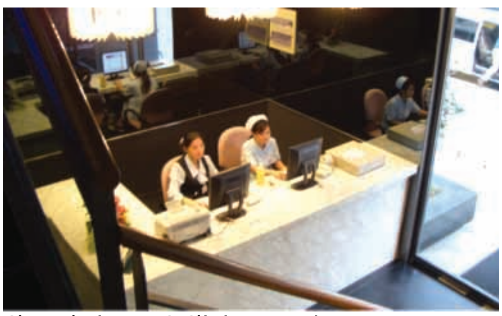

Beijing HAMS Clinic reception area.

BUMA recently signed an agreement with Guangdong Development Bank – Beijing Branch as a channel partner to provide BUMA's services to its 5,000 most valuable customers. Among other potential customers, we expect soon to complete a contract with a Hong Kong-based major conglomerate's PRC joint venture directly to provide high-level HAMS service to approximately 60 of its executives in China.

Shanghai HAMS Clinic facade.

In late June 2005, we launched our HAMS business in Shanghai via our subsidiary CHC (Shanghai) Medical & Healthcare Services Ltd. (the "Shanghai HAMS Clinic"). In addition to the ability to provide basic diagnostic, consultation, evaluation and treatment procurement services similar to those in the Beijing HAMS Clinic, the 1700m^2 Shanghai HAMS Clinic also includes several specialized medical departments with a total of 16 doctors and 10 nurses, with all necessary medical infrastructure necessary for conducting comprehensive health check ups.

The initial strategic focus for the Shanghai HAMS Clinic will be to build up a high volume of customer flow for institutional executive health check-ups, servicing as many as 25,000 patients per year. Once customers have been acquired, we will seek to up-sell these patients into the higher value-added healthcare management services offered through the HAMS membership program. Focused pre-launch business development efforts have had good results and, as of the date of this letter, we have been able to secure health check up contracts for more than 2,600 customers.


Shanghai HAMS Clinic reception

(III) Franchise Medical Specialties

Premium Specialty Centers

The Group is working to leverage its relationships with Network Hospitals to develop a nationwide chain of premium VIP specialty medical centers which are able to provide high-level care matching international standards. The primary market for these services will be wealthy PRC nationals, as well as foreign expatriates living in the PRC. The Group will partner with premier Chinese medical institutions as we open a series of PSCs as centers of clinical and operating excellence in various medical specialties in China over the coming year.


Shanghai First Maternity & Infant Health Hospital


OB/GYN Check up room.

The Group has executed a contractual agreement with Shanghai First Maternity and Infant Hospital ("SFM") to be the host institution for our obstetrics and gynecology premium specialty center ("OB/GYN PSC"). SFM is one of China's leading public hospitals in OB/GYN, and is indicative of the premier Chinese medical institutions with which CHC will partner. SFM performs nearly 8,500 of the more than 100,000 baby deliveries performed annually in Shanghai and conducts more than 500,000 outpatient OB/GYN consultations each year, and we expect that a portion of this patient flow will be directed into the OB/GYN PSC. The OB/GYN PSC will be comprised of modern inpatient and outpatient consultation facilities, Western-standard labor delivery rooms, and state-of-the-art medical and hospitality amenities to provide a level of treatment and care that meets high international service standards. Additionally, the SFM PSC will benefit from the Group's strategic partnership with the School of Medicine at the University of California, San Diego ("UCSD"), which will serve as our technical assistance and institutional branding partner for the OB/GYN PSC. Under the scope of work stipulated in the contract, the Department of Reproductive Medicine at UCSD will engage its physicians and senior healthcare professionals in a comprehensive knowledge transfer program and quality assurance system; UCSD-provided personnel will include specialists in maternal and fetal care, health education, healthcare administration, and obstetric research. CHC's own internationally-trained professional staff will manage the facility at all times, working with UCSD-provided personnel and SFM in implementing UCSD's standard operating procedures to ensure the highest possible service quality.

The SFM PSC and UCSD partnership exemplifies the Group's strategy in rolling out PSCs. Our PSC roll-out plan is moving along as projected, and we are confident that we will be able to open five PSCs by the end of this fiscal year ending March 31, 2006. We believe that the infrastructure and foundational agreements currently being put in place will put us on solid footing for reaching and exceeding our target of opening fifteen PSCs by the end of the following fiscal year ending on March 31, 2007. In addition to our PSC in urology scheduled to open in Shanghai in the near future, we are very pleased to further report that we are working with a leading public OB/GYN hospital in Beijing to open our second OB/GYN PSC.

Cosmetic Surgery Clinics

The CHC Aesthetic Center, located in Beijing adjacent to the BUMA HAMS Clinic, officially opened in May 2005 and has been ramping operations since that time. The Group expects to open additional cosmetic surgery clinics, including one in Shanghai which will be located near the Shanghai HAMS clinic. CHC Aesthetic Centers typically will be formed with international operating partners providing knowledge transfer programs, such as the BEFOR Plastic Surgery Clinic, which is recognized as leading cosmetic surgery provider in the South Korean market.

CHC Aesthetic Center
中卫整形

These three areas, EAMS, HAMS, and Franchise Medical Specialties (PSCs and Cosmetic Surgery Clinics), together comprise the core of the Group's medical services and managed health network. In addition to these core businesses, the Group continues to pursue opportunities in additional areas in which our collaborative relationship with the MOH has been a key enabler.

Drs. Cho, Gong, Wang and staff at the opening of the Beijing CHC Aesthetic Center.

(IV) Safe Blood for China

In March of 2005, the Company played a 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 Company signed a Framework Facilitation Agreement with SBFC to provide products and services related to the implementation of the nationwide project. CHC's participation in SBFC further exemplifies our goal to improve healthcare services at every level, to act as a responsible corporate citizen by creating social value, and to build upon our close operational relationship with the MOH on another nationwide healthcare services program; CHC was instrumental in facilitating and procuring the development of SBIF's relationship with the MOH.

In March 2005, Zhongyuan Li and JD Lee at the official signing ceremony for the Safe Blood for China Foundation at the MOH's Prime Meeting Hall.

SBIF is a non-profit organization based in Washington, DC that is dedicated to the improvement of blood supply safety in developing countries, and to helping to stop the spread of HIV/AIDS and other blood-borne diseases. SBFC will extend SBIF's work into China, establishing a unique program under the auspices of the MOH that will aim to strengthen blood management, promote new technology related to blood processing, and minimize the spread of disease. The initial fundraising target for SBFC is set at US$1 billion over the next five years.

The Group's relationship with SBFC is strong, and we are confident that we will continue to play a vital role in the development of the program. CHC's involvement in SBFC includes a commercial aspect as well, and we are confident that the SBFC relationship will create long-term shareholder value. CHC is positioned to earn facilitation fees on needs assessments, training, and performance measurement projects; to earn distribution fees for handling certain products; and to derive other revenues from creating a supply channel for other quality products and services seeking access to serve the nationwide blood safety program. CHC's subsidiary, Shanghai Haoyuan Biotech Co., Limited ("Shanghai Haoyuan"), acquired in July 2004, will play an integral role in the Group's overall relationship with SBFC, and will seek to sell its nucleic acid test ("NAT") clinical reagents and related products into SBFC's efforts to detect HIV, hepatitis, and other diseases in the Chinese blood supply.

(V) Clinical Trials

In May 2004, the Group established a wholly owned subsidiary, China Clinical Trials Centre Limited ("CCTC") to operate a contract research organization (the "CRO") to facilitate the procurement of clinical trials and distribution licenses for international pharmaceutical and medical device companies, as well as to conduct clinical trials that aim at local or global registration of pharmaceutical and medical products. The Group signed a memorandum of understanding with a leading clinical research institution to provide technical and operational support to the CRO. The Group remains in periodic discussions with several US-based biotechnology and life science companies, but no concrete steps have been taken in recent months to initiate operations at the CRO.

LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Company completed a fund raising event that resulted in the issuance of 10,000,000 ordinary shares with an aggregate value of HK$36.0 million. This fund raising exercise improved the financial position of the Group, and partially offset significant cash outlays related to the acquisition of businesses. The Group's cash and cash equivalents amounted to approximately HK$47.3 million as at 31 March 2005. As of 31 March 2005, the total borrowings of the Group amounted to HK$17.3 million, all of which was represented by convertible bonds.

On this basis, the gearing ratio is calculated at 0.16 (2004: 0.17), based on an amount of shareholders' equity of HK$106,563,000 (2004: HK$122,162,000).

After the balance sheet date, the Group raised approximately US$6.6 million from the issue of convertible bonds pursuant to a subscription agreement dated 26 April 2005 with certain international institutional investors and qualified individual investors.

CONTINGENT LIABILITIES

At 31 March 2005, there were no contingent liabilities of the Group.

CHARGE ON GROUP'S ASSETS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2005, the Group employed 89 (2004: 18) staff members. Total staff cost including Directors' emoluments was HK$15.1 million as compared to HK$27.8 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 pleased to have added five new Board members during the year, significantly increasing the depth and strength of our Board leadership. The new Board members are Mr Lee Jong-Dae, Mr. Deng Ku Hon, Mr. Robin Willi, Mr. Martin Treffer, and Mr. Mu Xiang Ming.

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 since 1988. 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 valuable 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 has been of great value to the Group's PRC operation.

Mr. Robin Willi was appointed as a Non-Executive Director of the Company on 28 September 2004. He is a senior investment banker with major international financial institutions and had over 10 years of investment banking experience in Asia. Mr. Willi holds Master's degree in Political Science, History and International Law from the University of Zurich, Switzerland. After receiving his degree, he was a research scholar for the Council of Europe at the University of Uppsala, Sweden. Mr. Willi then embarked on a distinguished career in investment banking with postings in New York, London, Hong Kong and Seoul, working for JP Morgan, Goldman Sachs, Salomon, Bankers Trust and Bear Stearns, in the areas of asset-and-liability management, derivatives, equity capital markets, distressed debt and proprietary investments. Mr. Willi previously ran UBS proprietary investments division for Asia, based in Hong Kong. Mr Willi currently serves as the Chief Investment Officer of Hardt Group Global Managers AG, a fund management company specializing in institutional asset management through a number of dedicated single strategy funds based in Europe and Asia.

Mr. Martin Treffer was appointed as a Non-Executive Director of the Company on 13 October 2004. He has extensive experience in investment and financial areas. Mr. Treffer holds a Master Degree in Banking and Economics from KV Zurich Business School, Switzerland. He has worked for several major international investment management and financial organizations. He is a founding member and principal partner of 2trade Group Ltd., an independent money management company in Switzerland.

Mr. Mu Xiangming was appointed as an Independent Non-Executive Director of the Company on 28 September 2004. He is an experienced international lawyer. He received his L.L.B. degree from Fudan University Law School in Shanghai, China and L.L.M. degree from University of Oregon Law School in the United States. Mr. Mu was a member of Shanghai Municipal Government Foreign Economic Trade Committee and a practicing lawyer in a US solicitors firm for four years. He is currently a senior partner of Shanghai Ming & Yuan Law Firm, a law firm with principal office in Shanghai and affiliated offices in USA and Japan.

FUTURE PROSPECTS

The overall strategy of the Group in the PRC healthcare sector remains to provide value added premium services through the utilization of the PRC healthcare infrastructure to which the Group has privileged access via its public private partnership with the MOH and leading public hospitals in China, as well as through the development of the Group's own capacity to deliver healthcare services that meet exacting international standards. With the Group on sound financial footing and with continuing support from various PRC authorities and medical institutions, international healthcare institutions, and strategic advisers and partners, the Group is well-positioned for the coming fiscal year.

The following initiatives will be key components of our execution for the next few years:

- Develop new, and extend existing, strategic partnerships with international healthcare institutions to develop, brand, and operate Premium Specialty Centers in China. The Group will focus in particular on OB/GYN, urology, and cardiology, which we have identified as the most promising specialties in terms of our ability to create and capture significant value.

- Market and promote Health Asset Management Services, via both BUMA and CHC Shanghai, to selected high ranking corporate executives, high net worth individuals, and their families in the PRC, while working to rapidly add additional HAMS clinical capacity in additional regional markets.

- Develop and extend distribution channels to expand the membership base for BUMA's Emergency Assistance Medical Services program, and to achieve operational milestones critical to achieving designation as the official emergency medical assistance provider for the 2008 Beijing Olympics.

- Work to fulfill all aspects of the Safe Blood for China Facilitation Agreement, with the goal of achieving significant future revenues via participation in the implementation of the project and through sale of Shanghai Haoyuan products.

We are confident that the Group has the management capabilities, the financial resources, and the professional staff necessary to succeed in the aforementioned initiatives. We look forward to making rapid progress in building the business of the Group, and to reporting back to shareholders as we take strides toward our goals.