Management Discussion and Analysis

RESULTS

For the year ended 31 March 2006, the Group reported a turnover of approximately HK$6.8 million, representing a decrease of 80.5% as compared to HK$34.8 million for the previous financial year. The Group's net loss from ordinary activities attributable to shareholders for the year was approximately HK$96.8 million as compared to approximately HK$51.9 million for the previous financial year. Basic loss per share for the year was HK$0.42 (2005: HK$0.24).

BUSINESS OPERATION

During the past year, the Group was principally engaged in investment holding and provision of healthcare services in the PRC. The Group devoted most of its resources to create a platform to develop interrelated healthcare services and consumer marketing targeted at foreign visitors to China, expatriates living in China and, most importantly, the burgeoning affluent consumer segment in the PRC. 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, continues to build up and fine tune its delivery platform for interrelated and complementary healthcare and wellness businesses. In order to build up an integrated value chain of health/wellness service provision in China, the Group has been searching for ways and means to have its own direct B-to-C access/settlement platform to distribute its health and wellness products efficiently, effectively and conveniently. The Directors secured an opportunity to acquire 70% equity interest in Shanghai Harvest Network Technology Co. Limited ("Shanghai Harvest"), a profitable B-to-C e-commerce platform with annual revenue in excess of US$250 million and with a substantial customer reach and flow in Shanghai. The developments during the past financial year served to strengthen the management's confidence in the Group's general business prospect.

While the business lines of the Group in healthcare are still in development stage and undergoing generic growth, substantial progress has been made during the financial year.

Emergency Assistance Medical Services ("EAMS") is a centralized and highly scalable healthcare procurement program under the Group, which is an integrated call center providing post-pay, 24-hour emergency medical assistance nationwide, targeting offshore travelers to China and onshore travelers within China, via a nationwide network of 914 hospitals (the "Network Hospitals") pre-selected by the MOH. The Group through its subsidiary Beijing Universal Medical Assistance Co., Ltd. ("BUMA") is the only designated entity with the right to utilize the Network Hospitals. During the fiscal year, BUMA has been fine tuning and upgrading its operational protocols and working with the Network Hospitals closely to improve the infrastructure for delivering EAMS to target customers.

The Group has been devoting bulk of its resources in establishing its marketing infrastructure for distributing EAMS through a model of membership based program. The core component of such an infrastructure is to systematically establish and manage contractual relationships with insurance companies, financial institutions or travel agencies and related institutions for distributing EAMS to their customers respectively.

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During the fiscal year, among the key contracts following are noteworthy; an agreement with Central Insurance, a major Taiwanese insurance company, via Bank of Communications (HK) Insurance, to distribute EAMS to Taiwanese travelers to mainland China through a program of membership plus charge per service; a comprehensive framework agreement with Sunshine Property and Casualty Insurance ("Sunshine"), a PRC insurance company as the provider of value added medical assistance and health management services to Sunshine customers, and in particular, an agreement with Sunshine to provide EAMS to its policy holders of compulsory car insurance on a basis of membership plus charge per service; and most significantly, BUMA has made very substantial progress, with assistance from the MOH, towards securing the status of the emergency medical assistance provider among a range of different products, to a dominant Chinese insurance company which has a huge customer nationwide based on similar business model.

During the fiscal year, BUMA has also entered into alliances with entities such as Evercare Inc., a leading Korean healthcare service provider with over 300,000 members, to provide EAMS services to each member who is traveling to China and Ctrip, a NASDAQ listed Chinese travel company, and other travel agencies to distribute EAMS. In addition, BUMA has collaborated with the International Assistance Group ("IAG"), a global medical assistance organization with 25 member companies in the field around the world, to position BUMA as a service provider for procuring EAMS to ever growing outbound Chinese travelers to Europe, North America and other parts of the world in partnership with Chinese insurance companies.

In order to have direct and effective interface with health and wellness consumers, the Group has also been engaging in Health Asset Management Services ("HAMS") which is designed to provide health care and wellness services on both onsite and outsourcing basis and established Premium Specialty Centers (the "PSCs") providing premium services with international knowledge transfer partners in areas of obstetrics/gynecology and cosmetic surgery. Utilizing BUMA's unique access to the Network Hospitals and two HAMS clinics that the Group established in Beijing and Shanghai under medical licenses of its subsidiaries BUMA and CHC (Shanghai) Medical & Healthcare Services Ltd., HAMS offers customized health care management membership programs for both individuals and institutional clients, ranging from health check-ups to 24-hour private medical services. During the financial year, the Group's marketing strategy for HAMS was focused on targeting institutional clients, where institutional HAMS clients in Beijing include such companies as CITIC Industrial Bank, PetroChina-Hutchison IT Co., Guangdong Development Bank, and Beijing Mobile. Shanghai HAMS clinic targeted principally corporate customers and as of May 2006, the Shanghai HAMS clinic generated a customer flow of around 8,000 health check-ups, where institutional HAMS clients in Shanghai include such companies as Bank of Shanghai, Shanghai Bar Association, Shenzhen Development Bank, Price Waterhouse Coopers and Intel. The PSCs is targeting affluent domestic residents as consumers and as of May 2006, the PSC in obstetrics and gynecology in Shanghai has over 1,200 outpatients and inpatients since early 2006 and the cosmetic surgery clinic in Beijing has completed over 200 procedures since May 2005.

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LIQUIDITY AND CAPITAL RESOURCES

During the year under review, the Company completed a fund raising activity from the issue of convertible bonds in aggregate principal amount of US$6.6 million (approximately HK$51.5 million). This fund raising exercise improved the financial position of the Group, and partially offset significant cash outlays related to the development of businesses. The Group's cash and cash equivalents amounted to approximately HK$47.9 million as at 31 March 2006.

The Group's total borrowings as at 31 March 2006 amounted to HK$49 million, all of which was represented by convertible bonds.

On this basis, the gearing ratio is calculated at 1.56 (2005: 0.14 (restated)), based on an amount of shareholders' equity of HK$31,473,000 (2005: HK$108,946,000 (restated)).

After the balance sheet date, the Company entered into the Subscription Agreement with certain institutional investors in relation to the subscription of 15,000 redeemable convertible cumulative preference shares of the Company at a total subscription price of US$15 million (approximately HK$117 million) on 5 April 2006, which has been approved by the shareholders of the Company at a special general meeting of the Company on 10 July 2006.

CONTINGENT LIABILITIES

At 31 March 2006, 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 2006, the Group employed 149 (2005: 89) staff members. Total staff cost including Directors' emoluments was HK$16.3 million as compared to HK$15.1 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.

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FUTURE PROSPECTS

On 5 April 2006, the Group entered into a subscription agreement with Och-Ziff Capital Management Group ("OZ Capital"), which will subscribe convertible preference shares of the Company for a total consideration of US$15 million (approximately HK$117 million). OZ Capital is a global institutional asset management firm having in excess of US$18 billion of assets under management. The subscription will provide new funding to the Group for expansion of the existing business and new business development and OZ capital will also provide the Group access to its portfolio companies that have synergistic businesses with the Group, which in turn should significantly further increase shareholder value as well as enhance the financial position of the Group.

The acquisition of Shanghai Harvest represents an excellent start for the Group to expand not just based on generic growth but through value enhancing acquisitions as well. Besides its synergy as an e-commerce platform in distributing health and wellness services to consumers, Shanghai Harvest in its own right enjoys a market share about 25% in Shanghai mobile prepayment market of about RMB10 billion and is well poised to quickly capture 50% market share there through rapidly expanding e-commerce terminals in partnership with UnionPay and retail networks in addition to convenience stores. As such and in addition to its vast consumer reach of almost 4,000 e-commerce terminals of its own in convenience stores throughout Shanghai, the acquisition also substantially enhances the Group's overall business performance and strengthens its revenue base.

With substantial progress made in forming marketing infrastructures in EAMS as elaborated earlier, the Directors believe the prospect for the Group to achieve the dominant position in medical assistance industry in the PRC as a value added service provider is now within sight and reach. In an effort to upgrade and improve business models; product offerings; operational protocols and marketing channels, the Directors have also initiated regular exchanges with the America's leading travel insurance provider which is a subsidiary of one of the largest US insurance companies to explore knowledge transfer and joint venture. With huge and ever growing Chinese travelers in line with Chinese economy growth, unique resources that the Group is able to access in offering medical assistance and highly capital efficient and scalable business operation, we are confident of very significant value creation there.

With the Group on sound financial footing and with continuing support from the Group's investors and business partners, the Group is well-positioned for the coming fiscal year. We look forward to building and growing the Group's businesses; creating substantial values to consumers of our services; generating significant shareholders' value; and reporting back to shareholders as we take strides toward our goals.