CHAIRMAN'S STATEMENT

EHealth Market Environment

The financial year's first six months have seen the consolidation, divestiture and closure of most of the ehealth companies throughout the world and Asia has not been any different.

Reduced capital expenditure by insurers, providers, hospitals and governments has meant that ehealth companies with weak capital structures were faced with increasing uncertainty and challenges to their businesses. The short and medium term prospects for growth for the ehealth sector are difficult, with cancelled contracts and commitments becoming the norm, rather than the exception. Technology expenditure has been reduced dramatically as the companies which were anticipated as having the client base for ehealth organisations, have themselves been faced with redundancies and layoffs.

The First Six Months

Turnover for the six month period ended 30 September 2001 was HK$80.2 million (compared to prior period of HK$420.4 million which included the results of the disposed construction businesses), resulting in an attributable loss of HK$270.9 million. This attributable loss included impairment provisions of HK$225.6 million in respect of goodwill/goodwill previously eliminated against reserves and other intangible assets.

Against the 'growing-up' of our LEON/REACH technology platforms, the continued solid performance of our medical equipment distribution business and the Taiwan telemarketing operation, growing to a 170-people team from start-up in eight months, the six months under review was a difficult period for ehealthcareasia Limited (the "Company" or "EHA").

The deterioration of the 'tech sector', negatively affected EHA's opportunities to grow, expand, and capitalise on its technology, operations, products, and people. Faced with tight budgets and a shrinking timeline to reach profitability and capital self-sufficiency, the executive management consolidated operations, reduced staff and expenses, and made tough, but commercially valid decisions relating to the businesses. These actions were important to improve the net asset value of the Company, position EHA to achieve a certain return to shareholders through possible sale of assets and businesses, and enable the Company to meet its liabilities, including the amount due to Quality HealthCare Asia Limited ("QHA"), its parent company.

We completed the development and maturing of our technology platform LEON/REACH and installed this in the medical centres of QHA, thereby enabling greatly reduced manpower expense, increased accuracy and expanded efficiency. However, the environment described above has considerably diminished the opportunities to expand the market for EHA's services and products. Despite this, the Company is continuing to give due consideration to exploring the offshore market potential for its developed software.

Right across EHA's operations, the executive management has taken a stark, analytical look at each activity, and adjudicated each on the basis of its short to medium-term prospects in the present harsh market environment.

The acquisition of iClaims21 Limited ("iClaims21") helped to speed up the maturity of LEON/REACH into usable, unique platforms. However, iClaims21's absorption into the EHA structure did not achieve its intended objectives. As part of an additional review of the potential for that product, and the market's effect upon efforts to match revenue flow to infrastructure costs associated with maintaining such operation, it has been decided to wind down several other operations in the absence of desired short-term returns.

As the review of operations extended beyond Hong Kong, it was decided that the Australian business would be sold, due to recent re-assessed imbalance of potential returns against the need for further capital investment thereon.

The medical equipment business of EHA has been in operation since 1993 and continues to earn healthy revenues and profits.

The Taiwan telemarketing business achieved satisfactory results with expanding revenues in the first year of the operations, but has incurred significant capital and infrastructure onto.

The Second Half Prospects

EHA embarked upon the second half of the financial year with its three core competences in place: the LEON/REACH technology platform had reached maturity and has been fully operational, medical equipment distribution remains strong, and a solid business developed in Taiwan, marketing healthcare insurance products and services.

As the Company addresses the issues facing its businesses, we believe that rigorous and continuing cost reduction exercises, the sale of businesses, together with cash conservation, will assist the Company in its ability to reduce and eliminate its dependence on its parent QHA.

In November 2001, the Company embarked upon a share capital reorganisation and a share consolidation. A rights issue to raise HK$36.9 million before expenses has also been announced. Details of these exercises were set out in the announcement dated 19 November 2001.

Some of the actions that we intend to complete in the second half of the financial year include:

- The sale of non-core businesses for cash
- Renegotiation/reduction of the loan agreement with QHA – subject to independent shareholders' approval
- Sale of the Australian operation – subject to shareholders' approval
- Exiting from the Singapore market – Already achieved
- Further reduction in staff and overheads in the Hong Kong operation and Head Office – Ongoing

We are well on our way to achieving these objectives and have confidence in getting the Company to a level of stability for the future. We will review future opportunities for the Company following the fulfilment of the above actions, which we anticipate will take the balance of the financial year. We have been very active in assessing the Group's status, and I would like to thank the Board members for their continuous support and efforts in these difficult times.

Brian O'Connor
Chairman

Hong Kong, 21 December 2001