BUSINESS REVIEW

The turnover of ehealthcareasia Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2002 amounted to HK$111.3 million (2001: HK$925.9 million, which included the annual results of the disposed and discontinued construction and telemarketing businesses), resulting in an attributable loss of HK$282.6 million (2001: loss of HK$2,170.0 million, restated). Consolidation, divestiture and closure of most of ehealth companies throughout the world and Asia were common during the year. Reduced capital expenditure by insurers, medical service providers, hospitals and governments has meant that ehealth companies have faced increasing uncertainty and challenges to their businesses.

Although the operating environment has been and remains difficult for the Group, given the global economic downturn, we have succeeded in implementing active cost-saving and value-adding measures to streamline the current operations. Such achievement was mainly attributable to the completion of the following measures during the financial year 2001/2002:

Disposal of construction business

The Group disposed of its construction business for a cash consideration of HK$88 million. Following the disposal, the Group was able to concentrate its resources on healthcare-related businesses. In addition, given that fund raising is difficult in the current financial market conditions, the disposal offered the Group an efficient and effective way to generate working capital.

Rights issue

We managed to strengthen the Company's financial position and enlarge its capital base by way of a rights issue. The net proceeds of the rights issue amounting to approximately HK$35 million have been used for repayment of the loans of approximately HK$20 million due to Quality HealthCare Asia Limited ("QHA"), the ultimate holding company, and approximately HK$15 million due to third parties.

Renewal of loan facility granted by QHA

The operating environment of the Group has been difficult given the global downturn. QHA, as the Company's controlling shareholder, has been extending its continuous support and assisting the Group in reshaping its operations and financial position so that the Group is better positioned to take up business opportunities which may arise in the future. In this regard, QHA renewed the loan facility to the Company with a maximum principal amount of HK$60 million initially, subsequently reduced to HK$45 million for the period to 31 December 2003.

Disposal of the businesses in Australia and Taiwan

We consider that to continue the operations of the businesses in Australia and Taiwan would require continuing support in the form of substantial human and financial resources from the Group. In addition, we believe that it is unlikely that the Group would recoup the cost of investment in those businesses in the medium term out of their operating cash flows. The disposal of those businesses enabled the Group to reduce its overheads and to improve the financial position of the Group.

BUSINESS REVIEW (con't)

Licencing LEON/REACH software to QHA

During the year, the Group entered into a licence agreement with QHA to use and develop a processing system for healthcare services, developed by the Group, within the Greater China Region. QHA has been the sole user of the LEON/REACH software in Hong Kong and there are currently no other users of the software in other countries. After the completion of the licence agreement, the Group retains all rights and interests associated with the LEON/REACH software outside the Greater China Region. The licence fee of HK$10 million was applied to settle the shareholder's loan from QHA.

FUTURE PLANS AND PROSPECTS

The Group is reviewing its strategy relating to its technology platform and how best to market the LEON/REACH software outside the Greater China Region. Besides, we expect the medical equipment distribution business to remain strong provided the current economic situation in Hong Kong does not deteriorate further. The Group is now able to reduce its dependence on its parent company.

We are reviewing future opportunities for the Group following the aforementioned corporate measures. As mentioned in recent press announcements, we are actively discussing with different third parties, which are interested in investing in the Company and will inform shareholders if and when these discussions result in a specific proposal.

APPRECIATION

I would like to take this opportunity to express my gratitude to fellow members of the board and staff for their dedication and contribution to the Group and those who have continuously supported for their interest in the Group.

Brian O'Connor
Chairman

Hong Kong, 25 July 2002