Quality HealthCare

caring since 1868

Hong Kong's leading provider of integrated healthcare services

The Group's 1,100 professionals including 700 doctors, provide care for our private and corporate contract patients through our 790 Western and Chinese medical centres, dental and physiotherapy centres. In 2001, our network recorded more than 1.7 million healthcare visits. We also operate nine elderly care homes and Hong Kong's longest-established international nursing service. One of our medical practices has been serving Hong Kong people for over 130 years.

Quality HealthCare became the first healthcare provider listed on The Stock Exchange of Hong Kong Limited (HKSE ticker 593) in 1998. The Group's healthcare turnover in 2001 exceeded HK$750 million.

QHMS

Provides Hong Kong with its largest network of private doctors through our owned and affiliated Western and Chinese medical centres.

CHAIRMAN'S STATEMENT

I am delighted to report that the Group's core businesses, presented herein as 'continuing operations', have moved into a healthy profit this period, from a significant loss in the same period in 2001. This is the fundamental turnaround we have been working towards for two years, and we are confident that the solid growth will continue.

The true strength of the Group's underlying performance is somewhat masked, in these interim results, by the one-off gain of approximately HK$84.3 million on deemed disposal of a subsidiary, during the same period last year. Profit before tax from continuing operations is approximately HK$8.5 million this year, while last year's result was a loss of some HK$31.4 million.

In addition, the performance of our three core businesses improved remarkably, despite the difficult market conditions that continue to prevail. The profit contribution from Quality HealthCare Medical Services ("QHMS") increased 68.9%; Quality HealthCare Services ("QHS") reported a 24.1% increase; and Quality HealthCare Elderly Services ("QHES") reduced its loss by 69.2%.

With these solid improvements now realized, and with the deemed disposal of ehealthcareasia announced, the future for the Group looks bright.

Financial Review

In the six month period ended 30 June 2002, the Group reported a turnover from continuing operations of approximately HK$364.3 million, a reduction of 3.5% as compared to approximately HK$377.4 million for the same period last year. The reduction was, primarily, the result of a rationalization of low-yielding accounts, and termination of unprofitable accounts. The direct benefit of this, together with the impact of reduced overheads and increased occupancy rates in QHES, enabled QHMS and QHS to achieve significant improvements in profitability, and QHES to greatly reduce its losses.

Net profit from ordinary activities attributable to shareholders was approximately HK$7.9 million, compared with approximately HK$14.2 million in the comparative period in the prior year, which included a one-off gain on deemed disposal of a subsidiary of approximately HK$84.3

QHS

Provides Dental and Physiotherapy at our 46 centres, and operates Hong Kong's longest-established international nursing service.

million, mentioned above. On a like-with-like basis, excluding the one-off gain, the comparative results for 2001 would have been a loss of approximately HK$70.1 million. Basic earnings per share for the first half of 2002 were 0.4 cent. No interim dividend was proposed.

Finance costs of the Group in the first six months fell from approximately HK$26.3 million to approximately HK$3.0 million as a result of a significant reduction in debt and lower interest rates.

Group bank and other borrowings, as at 30 June 2002, were again reduced, to approximately HK$93.7 million, down from approximately HK$463.2 million as at 30 June 2001. Net debt at the end of the first six months of 2002, was approximately HK$67.7 million, down from approximately HK$419.0 million as at 30 June 2001. The gearing will be further improved upon completion of the deemed disposal of ehealthcareasia Limited, when we anticipate that the Group will be in a net cash position.

Business Review

Quality HealthCare Medical Services

Western medicine, Chinese medicine

QHMS reported a creditable 68.9% increase in operating profit, from a marginally reduced revenue. This was achieved despite the economic conditions that again did not allow any upward revision of our charges. Turnover for the six months was approximately HK$280.9 million, compared with approximately HK$295 million for the corresponding period last year, but operating profit increased to approximately HK$16.6 million, from approximately HK$9.8 million in the corresponding period last year.

The decline in revenue was due principally to the rationalisation of low-yielding accounts and the discontinuation of loss making accounts, as reported above.

QHMS's attention to insurance companies is bearing fruit with an increase in partnerships to provide health screening, individual medical plans for customers, and new medical packages, especially for small and medium enterprises. The same is the case with banking partners.

QHES

Offers around-the-clock care and company for more than 1,300 Hong Kong elderly citizens at our nine homes across the SAR.

We have further consolidated our core centres by reducing redundant clinics in the same vicinity, as well as turning certain low-yielding core medical centres into affiliate medical centres to improve cost efficiency. We also continue to increase the usage by our affiliate network of LEON, our proprietary back office computer system. In total, the network has reached 718 practices, up from 650 in April 2002.

In September, we opened our new Skin Care Centre, and we will soon open a LASIK centre offering laser-enabled sight correction. Both these initiatives address our clients' wish for convenient, doctor-supervised enhancement of a healthy lifestyle. We are also maximising the use of our laboratory and radiography services through business alliances, and are developing second-generation individual medical plans.

We have been very active in exploring the opportunities for the Group in China, and are working towards announcing various new business ventures in the coming months.

Chinese Medicine: During the first six months of 2002, we added another three Chinese Medicine clinics, bringing our total to five. While growing the network in response to demand, we have also expanded the services we provide, and are now offering specialist services such as oncology care. It is of note that the number of corporate clients also continues to rise, and they are paying both on fee for service, and voluntary plan, bases.

Quality HealthCare Services

Dental, Physiotherapy, Nursing services

QHS's six-month turnover decreased marginally to approximately HK$28.3 million, from approximately HK$29.9 million in the same period in 2001. However, operating profit rose by 24.1% to approximately HK$834,000, from approximately HK$672,000 in the same period in 2001.

Dental: In the first six months of 2002, we extended our specialist and speciality services by the addition of oral surgery and dental implant service, and have invested in an endodontic microscope. We also extended our dental cosmetic capabilities.

The development of the full scope of services is meeting with excellent customer support in both the individual and corporate sectors.

SKIN

Address our clients' wish for convenient, doctor-supervised enhancement of a healthy lifestyle through our skin centre.

Nursing: During this period, demand grew for our nursing services from both private and Hospital Authority hospitals. We also won tenders to provide nurse relief from three Vocational Training Centre sites.

Non government organizations ("NGO") and private nursing homes provide a continuing opportunity for growth, and we are expanding into mobile paramedical services in alliance with insurance companies. We are also marketing personal injury reports and consultancy services to the legal sector.

Physiotherapy: During the period, we added a further physiotherapy centre in Mong Kok, bringing our total to 13. The revenue stream has been steadied and expanded through the re-structuring of our charging system. We have also initiated a Physiotherapy Scheme Management for one of our largest corporate clients.

We are currently planning a new women's health physiotherapy service; we will expand our office ergonomic evaluation services in line with new legislation, and are working closely with our medical centres on promoting our Quality HealthCare Health Cabinet, providing convenience for our clients in purchasing medical soft goods.

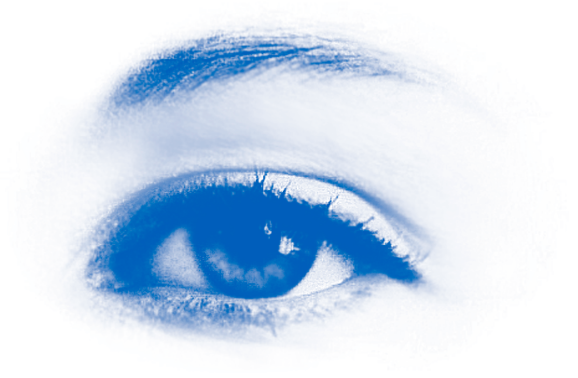
Quality HealthCare Elderly Services

Operator of nine elderly care centres

QHES continues to make excellent progress towards breakeven. In the first six months of 2002, QHES reduced its losses by a 69.2%, making our year-end breakeven objective a more realistic target.

Turnover was approximately HK$55.1 million, up from approximately HK$52.5 million, and the net loss was reduced to approximately HK$1.5 million from approximately HK$4.8 million in the corresponding period last year. It is worth noting that this business has been generating positive cashflow for some time now.

LASIK



Address our clients' wish for convenient, doctor-supervised enhancement of a healthy lifestyle through our LASIK centre.

The very significant reduction in operating loss was achieved as a result of growth in occupancy rate in the elderly care centres, as well as stringent cost cutting program within the division.

We continue to provide universities with trainers for nurses and health workers, while our centres are also used for clinical onsite training by bodies including the Hong Kong Geriatric Association.

During the period, we participated in Social Welfare Department tenders for elderly centres, are working increasingly with NGOs, and are establishing alliances with building contractors/developers on centre management and development.

We are now bidding for two more 'Bought Place Scheme' quotas in the coming months, and will be continuing our very successful local marketing campaign. Our occupancy rate is currently steadying at 77% for our 1,830 beds.

People

The Group is committed towards intensive marketing for all our core businesses and has recruited a group marketing director to strategically drive us through this.

Outlook

The excellent results presented in this interim report reflect the re-organization of the Group, and are most encouraging for the future. They demonstrate that the Group has achieved a turnaround, and that two of our three core businesses are increasingly profitable, and our elderly care centres are on track to break even this year.

Our growth initiatives: to concentrate on profitability, to develop and market innovative products and marketing, to leverage technology, and to seek opportunities in China, are all making good progress. We have built the team, the infrastructure, the standards and the brand name. We have overcome the significant issues against a backdrop of tough economic times. We have achieved a fundamental turnaround and now we will build a larger, more profitable business.

Furthermore, the initiative within the Hong Kong SAR Government to re-structure the public healthcare system, and to do this in partnership with the private sector, is gaining momentum but is not moving as fast as it could. We once again encourage the Government to challenge the private sector and to form public/private partnerships as soon as possible.

As the market leader, and with the most comprehensive distribution network and range of healthcare services in Hong Kong, the outlook for solid growth is most encouraging.

Brian O'Connor
Chairman

Hong Kong, 24 September 2002

GROUP RESULTS

The board of directors of Quality HealthCare Asia Limited (the "Company") herein presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six month period ended 30 June 2002 together with comparative amounts for the relevant corresponding period. These unaudited condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

Condensed Consolidated Profit and Loss Account – Unaudited

Six months ended 30 June 2002

	Notes	Six months ended 30 June 2002 HK$'000	2001 HK$'000 (Restated)
Turnover	2		
Continuing operations		**364,332**	377,429
Discontinuing/discontinued operations	3	**11,802**	322,600
		376,134	700,029
Other revenue and gains		**5,488**	4,721
Purchases and changes in inventories of finished goods and dispensary supplies consumed+		**(18,222)**	(22,695)
Cost of ground engineering and building construction		**–**	(266,599)
Staff costs		**(147,319)**	(185,193)
Depreciation		**(10,974)**	(26,115)
Amortisation of intangible assets		**(519)**	(9,009)
Loss on disposal of discontinuing/discontinued operations	3	**(466)**	(1,236)
Gain on deemed disposal of a subsidiary		**–**	84,346
Impairment losses		**(3,143)**	(6,851)
Other operating expenses		**(203,525)**	(255,613)
Profit/(loss) from operations			
Continuing operations		**9,991**	(10,346)
Discontinuing/discontinued operations	3	**(12,537)**	26,131
		(2,546)	15,785
Finance costs – Interest on borrowings/finance lease payables		**(2,970)**	(26,252)
Share of results of a jointly-controlled entity		**(321)**	(489)
Profit/(loss) before tax			
Continuing operations		**8,474**	(31,448)
Discontinuing/discontinued operations		**(14,311)**	20,492
		(5,837)	(10,956)
Tax	4		
Continuing operations		**(1,400)**	(1,800)
Discontinuing/discontinued operations	3	**–**	(2,474)
		(1,400)	(4,274)
Loss before minority interests		**(7,237)**	(15,230)
Minority interests		**15,135**	29,450
Net profit from ordinary activities attributable to shareholders		**7,898**	14,220
Earnings per share	6		
Basic		**0.4 cent**	1.6 cents
Diluted		**N/A**	1.5 cents

+ Being cost of inventories sold for the period

Condensed Consolidated Statement of Changes in Equity – Unaudited

Six months ended 30 June 2002

	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2001:						
As previously reported	91,242	44,359	534,880	291	(817,017)	(146,245)
Prior year adjustment:						
SSAP 34 – recognition of unused annual leave entitlements	–	–	–	–	(4,071)	(4,071)
As restated	91,242	44,359	534,880	291	(821,088)	(150,316)
Exchange realignment not recognised in the consolidated profit and loss account	–	–	–	(63)	–	(63)
Net profit for the period	–	–	–	–	14,220	14,220
Issue of new shares (note (i))	50	281	–	–	–	331
At 30 June 2001	91,292	44,640	534,880	228	(806,868)	(135,828)
At 1 January 2002:						
As previously reported	216,852	293,748	534,880	(495)	(1,000,600)	44,385
Prior year adjustment:						
SSAP 34 - recognition of unused annual leave entitlements	–	–	–	–	(4,071)	(4,071)
As restated	216,852	293,748	534,880	(495)	(1,004,671)	40,314
Net profit for the period	–	–	–	–	7,898	7,898
Repurchase of own shares (note (ii))	(509)	(654)	–	–	–	(1,163)
Release on disposal of subsidiaries	–	–	–	429	–	429
At 30 June 2002	216,343	293,094	534,880	(66)	(996,773)	47,478

Notes:

(i) During the six months ended 30 June 2001, 502,500 ordinary shares of the Company of HK$0.10 each were issued for a total cash consideration of approximately HK$331,000 upon the exercise of certain share options of the Company.

(ii) During the six months ended 30 June 2002, 5,090,000 ordinary shares of the Company of HK$0.10 each were repurchased by the Company through The Stock Exchange of Hong Kong Limited for a total cash consideration plus related expenses of approximately HK$1,163,000 at prices ranging from HK$0.198 to HK$0.229 per share and the repurchased shares were subsequently cancelled. The premium paid and the expenses incurred on the repurchase of shares were charged against the share premium account.

Condensed Consolidated Balance Sheet

30 June 2002

	Notes	30 June 2002 HK$'000 (Unaudited)	31 December 2001 HK$'000 (Audited) (Restated)
Non-current assets			
Fixed assets		**66,625**	79,146
Long term investments		**600**	967
Goodwill		**9,130**	9,376
Interest in a jointly-controlled entity		**493**	614
Loan receivable		**575**	734
		77,423	90,837
Current assets			
Properties for sale		**9,072**	9,072
Inventories		**12,443**	12,878
Accounts receivable	7	**87,226**	94,200
Prepayments, deposits and other receivables		**48,848**	48,416
Cash and bank balances		**26,005**	48,532
		183,594	213,098
Current liabilities			
Interest-bearing bank and other borrowings		**43,958**	52,762
Accounts and bills payable, other payables, accruals and deposits received	8	**107,298**	131,060
Finance lease payables		**16**	207
Tax payable		**12,280**	12,051
		163,552	196,080
Net current assets		**20,042**	17,018
Total assets less current liabilities		**97,465**	107,855
Non-current liabilities			
Interest-bearing bank and other borrowings		**49,791**	67,331
Finance lease payables		**–**	14
Deferred tax		**196**	196
		49,987	67,541
		47,478	40,314
Capital and reserves			
Issued capital		**216,343**	216,852
Reserves		**(168,865)**	(176,538)
		47,478	40,314

Condensed Consolidated Cash Flow Statement – Unaudited

Six months ended 30 June 2002

	Six months ended 30 June	
	2002	2001
	HK$'000	HK$'000
		(Restated)
Net cash inflow/(outflow) from operating activities	**(11,509)**	13,951
Net cash inflow from investing activities	**1,400**	40,704
Net cash outflow from financing activities	**(18,082)**	(53,326)
Increase/(decrease) in cash and cash equivalents	**(28,191)**	1,329
Cash and cash equivalents at beginning of period	**45,056**	34,428
Cash and cash equivalents at end of period	**16,865**	35,757
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**26,005**	44,137
Bank overdrafts	**(9,140)**	(8,380)
	16,865	35,757

1. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2001, except the following recently issued/revised SSAPs have been adopted for the first time in the preparation of the current period's condensed consolidated financial statements:

SSAP 1 (Revised)	:	"Presentation of financial statements"
SSAP 11 (Revised)	:	"Foreign currency translation"
SSAP 15 (Revised)	:	"Cash flow statements"
SSAP 33	:	"Discontinuing operations"
SSAP 34	:	"Employee benefits"

A summary of their major effects is as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The main revision to this SSAP is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The condensed consolidated statement of changes in equity for the current interim period and the comparative amounts have been presented in accordance with the revised SSAP.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The main revision to this SSAP is to change the requirement for the translation of the profit and loss account of overseas entities on consolidation. This SSAP had no major impact on these condensed consolidated financial statements.

SSAP 15 (Revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of a cash flow statement, which classifies cash flow during the period into operating, investing and financing activities. The condensed consolidated cash flow statement for the current interim period and the comparative amounts have been presented in accordance with the revised SSAP.

SSAP 33 prescribes the basis for reporting information about discontinuing operations. The impact of this SSAP is the inclusion of significant additional disclosures, which are set out in note 3 to the unaudited condensed consolidated financial statements.

SSAP 34 prescribes the accounting treatment and disclosure requirements for employee benefits. Prior to the adoption of SSAP 34, the Group did not provide for the liability in respect of its staff's vested annual leave entitlements. SSAP 34 requires that obligations in respect of such entitlements should be accrued as soon as services are rendered. The adoption of SSAP 34 has resulted in a change of accounting policy, which has been accounted for retrospectively. This has resulted in a prior year adjustment to recognise the liability for the unused annual leave entitlements and to retrospectively increase the Group's opening balances of accumulated losses as at 1 January 2001 and 2002 by approximately HK$4.1 million.

2. Segmental information – Unaudited

(a) Business segments

An analysis of the Group's revenue and profit/(loss) for the six months ended 30 June 2002 by the Group's business segments is as follows:

	Medical services		Nursing, physio & dental services		Elderly care services		Healthcare transaction operations (Discontinuing)		Ground engineering & building construction (Discontinued)		Corporate and others		Eliminations		Consolidated	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Segment revenue:																
Sales to external customers	**280,898**	295,032	**28,333**	29,862	**55,101**	52,535	**11,802**	25,231	**–**	297,369	**–**	–	**–**	–	**376,134**	700,029
Intersegment revenue	**1,636**	–	**2,111**	–	**–**	–	**12,123**	11,578	**–**	–	**1,509**	2,222	**(17,379)**	(13,800)	**–**	–
Other revenue and gains	**2,755**	2,082	**469**	–	**276**	225	**1,892**	465	**–**	953	**–**	2	**–**	–	**5,392**	3,727
Total	**285,289**	297,114	**30,913**	29,862	**55,377**	52,760	**25,817**	37,274	**–**	298,322	**1,509**	2,224	**(17,379)**	(13,800)	**381,526**	703,756
Segment results	**16,598**	9,827	**834**	672	**(1,472)**	(4,782)	**1,289**	(41,884)	**–**	(5,829)	**(4,254)**	(8,241)	**(11,509)**	(2,222)	**1,486**	(52,459)
Interest income															**96**	994
Unallocated expenses															**(3,662)**	(15,860)
Loss on disposal of discontinuing/ discontinued operations															**(466)**	(1,236)
Gain on deemed disposal of a subsidiary															**–**	84,346
Profit/(loss) from operations															**(2,546)**	15,785
Finance costs															**(2,970)**	(26,252)
Share of results of a jointly-controlled entity	**(321)**	(489)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(321)**	(489)
Loss before tax															**(5,837)**	(10,956)
Tax															**(1,400)**	(4,274)
Loss before minority interests															**(7,237)**	(15,230)
Minority interests															**15,135**	29,450
Net profit from ordinary activities attributable to shareholders															**7,898**	14,220

(b) Geographical segments

During the period, more than 90% of the revenue and the results from operations of the Group were attributable to its operations in Hong Kong. Accordingly, no analysis by geographical segment is presented.

3. Discontinuing and discontinued operations

In view of a strategic plan to concentrate on the Group's core/profitable activities, the Group discontinued its ground engineering and building construction segment and is in the process of discontinuing its healthcare transaction operations as detailed below:

(a) Discontinuance of the ground engineering and building construction segment

On 26 March 2001, ehealthcareasia Limited ("EHA"), a listed subsidiary of the Group, entered into a conditional agreement with a company owned or controlled by certain then beneficial shareholders/directors of certain subsidiaries of the Group, for the disposal of the Group entire interest in a subsidiary, Kin Wing Chinney (BVI) Limited ("KWC BVI") for a net cash consideration of approximately HK$87.4 million (the "KWC BVI Disposal"). KWC BVI and its subsidiaries then principally operated the Group's ground engineering and building construction business. Further details of the KWC BVI Disposal are also set out in a circular of the Company dated 17 April 2001.

The KWC BVI Disposal was completed on 8 May 2001 and the ground engineering and building construction operations of the Group were then discontinued. The disposal consideration was received in May 2001 and the carrying amount of the net assets disposed of amounted to approximately HK$88.6 million. The loss on disposal of such operations amounted to approximately HK$1.2 million. There was no tax arising on the disposal.

(b) Discontinuance of the healthcare transaction operations

(i) On 11 February 2002, EHA entered into a disposal agreement with an independent third party for the disposal of the Group's entire equity interest in a subsidiary, Top Quality Global Inc., and an assignment to the purchaser all the rights to the repayment of an aggregate outstanding loan of approximately HK$14.5 million owed by Top Quality Global Inc. to the Group for an aggregate cash consideration (net of related costs) of approximately HK$7.4 million. The principal activities of Top Quality Global Inc. and its subsidiaries comprised the telemarketing operations of the Group, which were reported under the healthcare transaction operations segment of the Group. Further details of the disposal are set out in a circular of the Company dated 8 March 2002.

The disposal was completed on 12 February 2002 and the telemarketing operations of the Group were then discontinued. HK$6.9 million of the disposal consideration (net of related costs) was received in February 2002 and the balance of HK$0.5 million will be fully settled by the end of October 2002 and the carrying amount of the net assets disposed of amounted to approximately HK$7.5 million. The loss on disposal of such operations amounted to approximately HK$0.5 million (after the release of a debit exchange reserve of approximately HK$0.4 million). There was no tax arising on the disposal.

(ii) On 8 August 2002, EHA entered into a conditional shares subscription agreement ("Shares Subscription Agreement") with Wealth Generator Limited ("Wealth Generator") in relation to the subscription of 5,000,000,000 new EHA shares by Wealth Generator at a subscription price of HK$0.01 per EHA share in respect of 4,999,998,000 EHA shares and at a subscription price of HK$0.08 per EHA share in respect of 2,000 EHA shares.

The total consideration for the shares subscription (before any expected incidental costs) is approximately HK$50 million, which will be payable in cash by Wealth Generator upon completion. The Shares Subscription Agreement is subject to, inter alia, the approval of the shareholders of the Company at a special general meeting. Upon the completion of the Shares Subscription Agreement, which is expected to occur in October 2002, the Company's equity interest in EHA will be diluted from 53.8% to 4.4% and EHA will no longer be a subsidiary of the Group (the "Deemed Disposal"). As of the date of the approval of these unaudited condensed consolidated financial statements, the Group has not yet formed any firm intention regarding whether and to what extent, if any, it will dispose of its remaining interest in EHA. The Deemed Disposal will effectively discontinue the remaining healthcare transaction operations of the Group. Further details of the Deemed Disposal are set out in a circular of the Company dated 11 September 2002.

The turnover, other revenue and gains, expenses, profit/(loss) before tax and tax attributable to the discontinuing and discontinued operations for the six month period ended 30 June 2002 and 2001 are as follows:

	Healthcare transaction operations		Ground engineering & building construction		Total discontinuing and discontinued operations	
	2002 HK$'000 (Unaudited)	2001 HK$'000 (Unaudited)	**2002 HK$'000 (Unaudited)**	2001 HK$'000 (Unaudited)	**2002 HK$'000 (Unaudited)**	2001 HK$'000 (Unaudited)
Turnover	**13,925**	36,809	**–**	297,369	**13,925**	334,178
Other revenue and gains	**11,948**	937	**–**	1,014	**11,948**	1,951
Purchase and changes in inventories of finished goods	**(6,189)**	(9,353)	**–**	–	**(6,189)**	(9,353)
Cost of ground engineering and building construction	**–**	–	**–**	(266,599)	**–**	(266,599)
Staff costs	**(9,606)**	(38,894)	**–**	(17,244)	**(9,606)**	(56,138)
Depreciation and amortisation expenses	**(1,096)**	(8,616)	**–**	(10,122)	**(1,096)**	(18,738)
Loss on disposal of discontinuing/ discontinued operations	**(466)**	–	**–**	(1,236)	**(466)**	(1,236)
Gain on deemed disposal of a subsidiary	**–**	84,346	**–**	–	**–**	84,346
Impairment losses	**(3,143)**	(6,851)	**–**	–	**(3,143)**	(6,851)
Other operating expenses	**(7,910)**	(25,243)	**–**	(10,186)	**(7,910)**	(35,429)
Profit/(loss) from operations	**(2,537)**	33,135	**–**	(7,004)	**(2,537)**	26,131
Finance costs	**(1,774)**	(3,467)	**–**	(2,172)	**(1,774)**	(5,639)
Profit/(loss) before tax	**(4,311)**	29,668	**–**	(9,176)	**(4,311)**	20,492
Tax	**-**	-	**–**	(2,474)	**–**	(2,474)
Profit/(loss) after tax	**(4,311)**	29,668	**–**	(11,650)	**(4,311)**	18,018

Note: The turnover and other revenue and gains of the healthcare transaction operations included intra-group turnover and other revenue for the period of HK$2,123,000 (2001: HK$11,578,000) and HK$10,000,000 (2001: Nil), respectively, which were eliminated on consolidation. The intra-group other revenue of the healthcare transaction operations for the period represented the revenue from the granting of an exclusive and perpetual software licence to the medical services segment, which was capitalised as an intangible asset of that segment and was eliminated on consolidation. Accordingly, this has resulted in an increase in the loss from discontinuing/discontinued operations for the period by HK$10,000,000 in the unaudited condensed consolidated profit and loss account.

The carrying amounts of the total assets and liabilities of the discontinuing healthcare transaction operations at the balance sheet date are as follows:

	30 June 2002 HK$'000 (Unaudited)	31 December 2001 HK$'000 (Audited)
Total assets	**36,198**	52,371
Total liabilities	**(59,275)**	(106,512)
Deficiency in assets	**(23,077)**	(54,141)

4. Tax

Hong Kong profits tax has been provided at the rate of 16% (2001:16%) on the estimated assessable profits arising in Hong Kong during the period.

	Six months ended 30 June	
	2002 HK$'000 (Unaudited)	2001 HK$'000 (Unaudited)
Hong Kong profits tax:		
Provision for the period	**1,400**	1,800
Overprovision in prior years	**–**	(606)
Deferred	**–**	3,080
	1,400	4,274

There was no significant unprovided deferred tax charge in respect of the period (2001: Nil).

5. Interim dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2002 (2001:Nil).

6. Earnings per share

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the period of HK$7,898,000 (2001: HK$14,220,000), and the weighted average of 2,163,933,323 (2001: 912,682,610) ordinary shares in issue during the period.

The diluted earnings per share for the six months ended 30 June 2002 has not been presented as the Company did not have any dilutive potential ordinary shares during the period.

The calculation of diluted earnings per share for the six months ended 30 June 2001 is based on the net profit attributable to shareholders for that period of HK$14,220,000 and 919,064,884 ordinary shares, which is the weighted average of ordinary shares in issue during that period, as used in the basic earnings per share calculation, plus the weighted average of 6,382,274 ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during that period.

7. Accounts receivable

The Group allows an average credit period of 30 to 90 days to its business-related customers, except for certain well established customers, where the terms are extended beyond 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

An aged analysis of the Group's accounts receivable at the balance sheet date, based on invoice date and net of provision, is as follows:

	30 June 2002 HK$'000 (Unaudited)	31 December 2001 HK$'000 (Audited)
Current – 90 days	**87,226**	94,099
91 – 180 days	**–**	91
181 – 360 days	**–**	10
	87,226	94,200

8. Accounts and bills payable, other payables, accruals and deposits received

An aged analysis of accounts and bills payable included in accounts and bills payable, other payables, accruals and deposits received at the balance sheet, based on invoice date, is as follows:

	30 June 2002 HK$'000 (Unaudited)	31 December 2001 HK$'000 (Audited) (Restated)
Accounts and bills payable:		
Current – 90 days	**12,450**	35,935
91 – 180 days	**368**	326
181 – 360 days	**121**	148
Over 360 days	**51**	756
	12,990	37,165
Other payables, accruals and deposits received	**94,308**	93,895
	107,298	131,060

9. Contingent liabilities

At the balance sheet date, the Group had no significant contingent liabilities (31 December 2001: Nil).

10. Capital commitments

	30 June 2002 HK$'000 (Unaudited)	31 December 2001 HK$'000 (Audited)
In respect of the acquisition of fixed assets:		
Authorised, but not contracted for	**–**	–
Contracted, but not accounted for	**5,078**	–
	5,078	–

11. Operating lease arrangements

(a) As lessor

The Group leases certain of its properties for sale under operating lease arrangements, with leases negotiated for terms ranging from one to four years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum operating lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2002 HK$'000 (Unaudited)	31 December 2001 HK$'000 (Audited)
Within one year	**431**	269
In the second to fifth years, inclusive	**207**	243
	638	512

(b) As lessee

The Group leases certain of its medical centres, office premises and elderly care homes under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to six years and rentals are normally fixed in accordance with the respective tenancy agreements and no arrangements have been entered into for contingent rental payments.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	30 June 2002 HK$'000 (Unaudited)	31 December 2001 HK$'000 (Audited)
Within one year	**67,768**	66,895
In the second to fifth years, inclusive	**90,658**	103,226
After five years	**382**	113
	158,808	170,234

12. Related party transactions

The Group had the following material related party transactions during the period not disclosed elsewhere in these unaudited condensed consolidated financial statements or in the consolidated financial statements of the Group for the year ended 31 December 2001:

(a) An independent non-executive director of the Company, Ronald Carstairs, is the Vice Chairman and a non-executive director of Dah Sing Financial Holdings Limited. During the period, the Group placed certain deposits with Dah Sing Bank Limited, a subsidiary of Dah Sing Financial Holdings Limited and thereby earned interest income of approximately HK$5,000 (2001: HK$83,000) at prevailing bank deposit rates. In addition, certain bank and factoring loans were drawn from Dah Sing Bank Limited, with interest rate at the Hong Kong dollar prime rate plus 1.25%. An interest expense of approximately HK$1,537,000 was incurred during the period in respect thereof (2001: HK$3,424,000).

(b) During the period ended 30 June 2001, the Group had construction work amounting to approximately HK$30,713,000 carried out for certain related companies, in which certain then directors and/or beneficial shareholders of certain then subsidiaries are directors and/or beneficial shareholders of those companies. In the opinion of the directors, the construction work for the related companies was carried out at prices determined on the cost plus a percentage mark-up basis.

13. Post balance sheet events

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group has the following transactions subsequent to the balance sheet date.

(a) As further detailed in note 3(b)(ii) to the condensed consolidated financial statements, upon the completion of the Shares Subscription Agreement, Wealth Generator will own an equity interest of approximately 91.9% of EHA, as enlarged by the issue and allotment of the subscription shares. Wealth Generator, therefore, will be obliged under Rule 26 of the Takeovers Code to make a mandatory cash offer to acquire all the issued EHA shares other than those already owned or agreed to be acquired by it or its concert parties at HK$0.08 per EHA share. If the Group accepts the cash offer made by Wealth Generator and its concert parties for all the EHA shares held by it, the Group will receive approximately HK$19 million in cash, which will be applied as general working capital for the Group. Acceptance of the cash offer by the Group may constitute a major transaction for the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which is subject to the approval of the shareholders of the Company and EHA at their respective special general meeting to be held on 2 October 2002. Further details of the above are set out in a circular of the Company dated 11 September 2002.

(b) On 8 August 2002, EHA entered into a conditional distributorship agreement (the "Distributorship Agreement") with Shenzhen Wanji Medical Products Co. Ltd. ("Shenzhen Wanji"), whereby EHA (for itself and its subsidiaries) has been appointed as the exclusive distributor of Shenzhen Wanji's products, being a range of health supplement products as detailed in the Distributorship Agreement on a worldwide basis, except for the People's Republic of China, for a fixed term of 10 years. Shenzhen Wanji is controlled by Mr. Chen, who is a brother of Ms. Chen, the beneficial owner of Wealth Generator. Completion and the implementation of the Distributorship Agreement is subject to, inter alia, the completion of Shares Subscription Agreement and the approval of the independent shareholders of EHA at a special general meeting to be held on 2 October 2002 and the compliance of relevant requirements of the Listing Rules and the approvals from relevant government and regulatory authorities wherever applicable.

14. Comparative amounts

As further explained in note 1 to the unaudited condensed consolidated financial statements, due to the adoption of certain new and revised SSAPs during the period, the accounting treatment and presentation of certain items and balances in the unaudited condensed consolidated financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been reclassified/restated to conform with the current period's presentation.

15. Approval of the interim financial statements

These unaudited condensed consolidated financial statements were approved and authorised for issue by the board of directors on 24 September 2002.

Management Discussion and Analysis

1. Capital structure and treasury policy

(a) Equity and debt structure

	30 June 2002 HK$'000	31 December 2001 HK$'000 (Restated)
Share capital	**216,343**	216,852
Reserves	**(168,865)**	(176,538)
Shareholders' funds	**47,478**	40,314
Bank and other borrowings	**93,749**	120,093
	141,227	160,407

Reconciliation of shareholders' funds

	HK$'000
Balance at 1 January 2002 (as restated)	40,314
Net profit attributable to shareholders	7,898
Exchange loss released on disposal of a subsidiary	429
Repurchase of own shares	(1,163)
Balance at 30 June 2002	47,478

The Group's shareholders' funds increased from approximately HK$40.3 million (as restated) as at 1 January 2002 to approximately HK$47.5 million as at 30 June 2002. The increase was mainly due to the net profit attributable to shareholders during the period of approximately HK$7.9 million.

The Group's bank and other borrowings reduced from approximately HK$120.1 million as at 1 January 2002 to approximately HK$93.7 million as at 30 June 2002 because of the scheduled repayments of bank loans.

(b) Debt maturity profile

	30 June 2002 HK$'000	31 December 2001 HK$'000
Repayable:		
Within one year and on demand	**43,958**	52,762
In the second year	**35,925**	35,358
In the third to fifth years, inclusive	**13,866**	31,973
	93,749	120,093

(c) Net debt/equity

	30 June 2002 HK$'000	31 December 2001 HK$'000 (Restated)
Shareholders' funds	**47,478**	40,314
Net debt:		
Bank and other borrowings	**93,749**	120,093
Cash and bank balances	**(26,005)**	(48,532)
	67,744	71,561

The gearing ratio, comparing net debt to equity, improved from 1.78:1 at 31 December 2001 to 1.43:1 at 30 June 2002.

(d) Currency and financial risk management

The Group's main operating subsidiaries are located in Hong Kong and over 90% of the Group's sales and purchases during the period were denominated in Hong Kong dollars.

All bank and other borrowings are denominated in Hong Kong dollars. During the period, interest was charged on a floating rate basis with reference to Hong Kong Best Lending Rate and HIBOR.

All cash and bank balances are denominated in Hong Kong dollars. Any surplus cash is placed in savings and short-term bank deposits to earn interest income.

The Group's foreign currency assets are immaterial. The Group's exposure to foreign exchange risk is minimal and as such did not have any requirement to use financial instruments for hedging purpose.

2. Material acquisitions and disposal of subsidiaries during the period

In January 2002, EHA completed a rights issue and resulting in the issue of 147,441,724 new ordinary shares of EHA of HK$0.01 each at an issue price of HK$0.25 per rights share on the basis of one rights share for every two shares. The Company has, through an indirect subsidiary, taken up 79,248,654 rights shares. The net proceeds of the rights issue of approximately HK$35 million were used for partial repayment of the revolving loan owed to the Company of approximately HK$20 million and the repayment of the financial institution loan of approximately HK$15 million.

On 11 February 2002, EHA entered into a disposal agreement (the "Disposal Agreement") with Group Success Enterprises Limited (the "Purchaser") in relation to the disposal of the entire issued capital of a subsidiary, Top Quality Global Inc., and an assignment to the Purchaser of all the rights to the repayment of an aggregate outstanding loan of approximately HK$14.5 million owed by Top Quality Global Inc to the Group for an aggregate cash consideration (net of related costs) of approximately HK$7.4 million.

3. Pledge of assets

At 30 June 2002, the Group pledged certain receivables and rights under medical services contracts, a leasehold property and a property for sale of the Group to secure certain of the Group's banking facilities.

4. Contingent liabilities

At 30 June 2002, the Company has given guarantees in connection with the tenancy agreements entered into by its subsidiaries of approximately HK$54.5 million and guarantees given to banks in connection with banking facilities granted to its subsidiaries of HK$118.6 million.

Management and Staff

As at 30 June 2002, the Group had some 900 (2001: 1,100) employees. The staffing structure is under constant review as the shape of the Group develops. Remuneration packages are calculated at market rates, with share options offered at the discretion of the board of directors. All directors' remuneration and option packages must first be recommended by the Remuneration Committee which is composed of all of the non-executive directors, namely, Messrs. Cheng Mo Chi, Moses, Ronald Carstairs, Ian Strachan and Lindsay Cooper.

Audit Committee

The Board has established an Audit Committee, which comprises the non-executive directors, namely, Messrs. Ronald Carstairs, Cheng Mo Chi, Moses and Lindsay Cooper. Mr. Ian Strachan resigned as an Audit Committee member on 22 March 2002. The Audit Committee reviews the internal controls and audit related matters, including the interim and annual reports of the Group.

Share Option Scheme

At the special general meeting of the Company held on 7 June 2002, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 5 July 1993 (the "Old Scheme") and the adoption of a new share option scheme (the "New Scheme") in compliance with the amended Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the principal terms of the New Scheme is contained in the circular dated 22 May 2002 sent to the shareholders of the Company. No options had been granted under the New Scheme since its adoption.

Upon termination of the Old Scheme, no further options could be granted thereunder but in all other respects, the provisions of the Old Scheme shall remain in force. All outstanding options which were granted under the Old Scheme shall remain effective and are bound by the terms of the Old Scheme.

Details of the share options granted under the Old Scheme of the Company and remain outstanding as at 30 June 2002 were as follows:

	Number of share options[1]						
Name or category of participant	Outstanding as at 1 January 2002	Lapsed during the period	Cancelled during the period	Outstanding as at 30 June 2002	Date of grant	Exercise period of share options (both dates inclusive)	Exercise price per share option[1] HK$
Directors							
Brian O'Connor	750,000	(750,000)	–	–	19/11/1998	19/11/1999-18/05/2002	0.330
	750,000	(750,000)	–	–	19/11/1998	19/11/2000-18/05/2002	0.330
	3,000,000	–	–	3,000,000	19/4/1999	3/5/2000-2/11/2002	0.435
	3,000,000	–	–	3,000,000	19/4/1999	3/5/2001-2/11/2002	0.435
	8,000,000	–	–	8,000,000	8/11/1999	15/5/2000-14/5/2003	0.640
	15,500,000	(1,500,000)	–	14,000,000			
Wong Tai Chun, Mark	300,000	(300,000)	–	–	19/11/1998	20/11/2000-19/05/2002	0.330
	400,000	–	–	400,000	19/4/1999	26/4/2000-25/10/2002	0.435
	400,000	–	–	400,000	19/4/1999	26/4/2001-25/10/2002	0.435
	750,000	–	–	750,000	21/2/2000	24/2/2001-4/7/2003	1.450
	750,000	–	–	750,000	21/2/2000	24/2/2002-4/7/2003	1.450
	1,500,000	–	–	1,500,000	10/6/2000	14/6/2001-4/7/2003	1.150
	1,500,000	–	–	1,500,000	10/6/2000	14/6/2002-4/7/2003	1.150
	5,600,000	(300,000)	–	5,300,000			
Wong Chi Kit, Nelson	6,000,000	–	–	6,000,000	3/8/2000	7/2/2001-4/7/2003	1.025
Other employees							
In aggregate	2,570,000	(1,370,000)	(1,200,000)	–	19/11/1998	19/11/1999-30/6/2002	0.330
	9,350,000	–	(2,000,000)	7,350,000	19/4/1999	26/4/2000-15/11/2002	0.435
	3,440,000	–	(1,000,000)	2,440,000	1/11/1999	2/5/2000-10/5/2003	0.595
	14,000,000	–	–	14,000,000	22/1/2000	15/8/2000-4/7/2003	1.175
	10,810,000	–	(1,640,000)	9,170,000	16/2/2000	16/2/2001-4/7/2003	1.450
	1,200,000	–	–	1,200,000	21/2/2000	24/2/2001-4/7/2003	1.450
	600,000	–	(600,000)	–	28/3/2000	30/3/2001-4/7/2003	1.575
	800,000	–	–	800,000	22/7/2000	18/2/2001-4/7/2003	0.990
	1,000,000	–	(1,000,000)	–	2/8/2000	23/8/2001-4/7/2003	0.830
	6,000,000	–	–	6,000,000	3/8/2000	16/2/2001-4/7/2003	0.960
	2,250,000	–	–	2,250,000	25/8/2000	25/8/2001-4/7/2003	1.160
	52,020,000	(1,370,000)	(7,440,000)	43,210,000			
TOTAL	79,120,000	(3,170,000)	(7,440,000)	68,510,000			

Notes:

1. The Company completed a rights issue by issuing 912,926,091 rights shares at a price of HK$0.25 per rights share on the basis of one (1) rights share for every share on 9 October 2001. Accordingly, the number and exercise price of the outstanding share options have been adjusted as a result of the rights issue.

2. The vesting period of the share options is from the date of acceptance until commencement of the exercise period.

During the six month period ended 30 June 2002, no share options were granted to and/or exercised by the directors of the Company.

Directors' Interests in Shares

As at 30 June 2002, the interests of the directors and their associates in the issued share capital of the Company or any of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules were as follows:

Name of company	Name of director	Nature of interests	Number of shares
Quality HealthCare Asia Limited ("QHA")	Brian O'Connor	Corporate (Note 1)	200,040,328 shares
		Family (Note 2)	317,195,946 shares
		Personal	300,000,000 shares
	Ronald Carstairs	Personal	1,000,000 shares
	Wong Tai Chun, Mark	Personal	500,400 shares
	Wong Chi Kit, Nelson	Personal	23,890,029 shares
	Lindsay Cooper	Corporate	184,836,000 shares
ehealthcareasia Limited ("EHA")	Brian O'Connor	Corporate (Note 1)	152,030 shares
		Family (Note 2)	792,989 shares
		Personal	17,786,250 shares
	Wong Tai Chun, Mark	Personal	747,777 shares
	Wong Chi Kit, Nelson	Personal	3,828,150 shares
	Lindsay Cooper	Corporate	1,792,450 shares

Notes:

1. The shares of QHA are beneficially owned by Cherish Enterprises Limited ("Cherish"), a company incorporated in the British Virgin Islands, which is wholly owned by Montel Limited ("Montel"). Montel, a company incorporated in the British Virgin Islands, is the trustee of a trust of which the family of Mr. Brian O'Connor, a director, is the beneficiary.

2. Montel owns 117,155,618 shares of QHA and 640,959 shares of EHA. In addition, Montel wholly owns Cherish which in turn owns 200,040,328 shares of QHA and 152,030 shares of EHA. Montel is the trustee of a trust of which the family of Mr. Brian O'Connor is the beneficiary.

Save as disclosed above, as at 30 June 2002, none of the directors and chief executives of the Company, or any of their respective associates, had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, and none of the directors, nor any of their respective spouses or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.

Substantial Shareholders

As at 30 June 2002, according to the register kept by the Company pursuant to section 16(1) of the SDI Ordinance, and so far as is known to the directors, the shareholders who were directly or indirectly interested in 10% or more of the issued share capital of the Company carrying rights to vote in all circumstance at general meetings of the Company together with the number of shares in which they were deemed to be interested were:

Name of substantial shareholders	Number of shares held
Montel (Note 1)	317,195,946
Brian O'Connor (Note 2)	617,195,946
CLSA Capital Limited	342,666,666

Notes:

1. Information on Montel is disclosed in the section "Directors' Interests in Shares" above.

2. As disclosed above, Mr. Brian O'Connor is deemed to hold 317,195,946 shares through Montel and Cherish, apart from his direct holding of 300,000,000 shares.

Purchase, Sale or Redemption of Shares

During the period, the Company repurchased 5,090,000 ordinary shares of the Company of HK$0.10 each through the Stock Exchange at a total cash consideration plus related expenses of approximately HK$1,163,000 at prices ranging from HK$0.198 to HK$0.229 per share. All the shares repurchased have been cancelled accordingly.

The directors considered that it was in the interests of the Company's shareholders to make such repurchases as the prices of the Company's shares were relatively low at the time of such repurchases.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Compliance with the Code of Best Practice

In the opinion of the directors, the Company has complied with the Code of Best Practice, as set out in Appendix 14 of the Listing Rules, which specifies the best practices to be followed by the directors and non-executive directors throughout the six month period ended 30 June 2002, except that a non-executive director of the Company has no fixed terms of office, but will retire from office on a rotation basis in accordance with the Company's bye-laws.

By order of the Board
Lam Hon Yiu, Leo
Company Secretary

Hong Kong, 24 September 2002