Business Review and Outlook

Changes and Development

On 8 August 2002, ehealthcareasia Limited (the "Company") entered into a shares subscription agreement with Wealth Generator Limited ("Wealth Generator"), an independent third party, pursuant to which, Wealth Generator agreed to subscribe for 5 billion new shares of the Company at a total consideration of approximately HK$50 million. Upon completion on 4 October 2002, Wealth Generator became the controlling shareholder of the Company and owned approximately 91.9% of the total enlarged issued share capital of the Company. An unconditional general offer by Wealth Generator was triggered as a result. After the closing of the general offer, Wealth Generator increased its shareholding interest in the Company to approximately 99.1%. Subsequently in November 2002, Wealth Generator placed an aggregate of 1,583,204,000 shares to 18 placees, being independent third parties, which resulted in a reduction of Wealth Generator's interest in the Company to approximately 70%.

The cash proceeds from the issue of new shares of the Company were partly used for the repayment of part of the amount owed to Quality HealthCare Asia Limited ("QHA") of approximately HK$40 million, whilst the balance of proceeds of approximately HK$10 million would be set aside for the Company's future working capital. The remaining outstanding balance owing to QHA was fully settled by off-setting against a two years Convertible Note (the "Note") of a face value of HK$7 million. Under the terms of the Note, QHA has the right, on any business day following the 12 months after the effective date of issue of the Note but before the maturity date, to convert the whole or part of the principal amount of the Note into shares of the Company of HK$0.01 each at a conversion price of HK$0.05 per share.

After Wealth Generator has become the strategic substantial shareholder, a Distributorship Agreement entered by the Company and Shenzhen Wanji Medicine Products Co., Ltd. ("Shenzhen Wanji") on 8 August 2002 also became effective. Under the Distributorship Agreement, the Company was appointed by Shenzhen Wanji to be the exclusive global distributor (excluding The People's Republic of China ("PRC")) of its products for a term of ten years. Shenzhen Wanji is a reputable PRC private enterprise engaging in the business of the production, distribution and dealership of healthcare and medicinal products in the PRC. It has accumulated enormous and successful experience in healthcare and medicine industry. By virtue of the Distributorship Agreement, the Company is looking forward to extending its business to cover the distribution and dealership market of healthcare and medicinal products.

Review and Outlook for the Next Six Months

For the six months ended 30 September 2002, the Company and its subsidiaries (collectively the "Group") recorded total turnover of HK$9,052,000 (2001: HK$80,197,000), and net loss from ordinary activities attributable to Shareholders was reduced to HK$6,111,000 (2001: HK$270,905,000).

The decrease of turnover and net loss from ordinary activities attributable to Shareholders for the period by 89% and 98%, respectively, compared with the corresponding period last year was mainly the result of the Group's strategic plan in concentrating on profitable activities and discontinuing of non-core businesses before 31 March 2002. Moreover, the Group has managed to cut down its operational costs for the period by implementing certain cost-saving and value-adding measures. As a result, the loss from continuing operations for the period was reduced to HK$4,353,000 (2001:

HK$152,681,000). The Group will continue implementing the cost-saving measures in the second half of the financial year and the directors believe that better performance will be achieved accordingly. As a result of the unclear business environment in Hong Kong and other Asia Pacific countries and the acute competitions in the healthcare transaction operations and related businesses, the turnover from the healthcare transaction operations and related businesses realised by the Group for the period dropped by 68% as compared to the corresponding period last year. However, the Group is still prudently optimistic about the prospects of healthcare transaction operations and related businesses and will continue to focus on this business direction in order to generate a steady income in the next six months. The Group will, in addition, proceed to develop the dealership and distribution business of other healthcare products.

In respect of the dealership of Shenzhen Wanji healthcare and medicinal products, the Group is working towards introducing products of Shenzhen Wanji into the Hong Kong market and is presently formulating related marketing strategies for the coming year. The Group is currently actively sourcing distributors so that the products of Shenzhen Wanji can be launched into the market as soon as possible. In addition, as the global distributor (excluding the PRC) of the products of Shenzhen Wanji, the Group is planning to source sub-agents and distributors who possess effective and comprehensive distribution networks, and thus are capable to launch the products into international market in the shortest possible time. The Group is about to approach individual dealers in Taiwan and Malaysia for initial contacts.

On the other hand, the Group is currently exploring the market-driven strategy in the PRC for quality healthcare and medicinal products. It is anticipated that with the cooperation of Shenzhen Wanji which possesses vast experience and strengths in producing and marketing healthcare and medicinal products, the Group will be able to develop the business of healthcare product in a more comprehensive way and enter a new phase of business development.

We are making every effort to achieve the above goals, and we are confident that the Group will be able to make steady progress and move towards a bright new horizon.

Interim Unaudited Condensed Consolidated Financial Statements

The Board of Directors of ehealthcareasia Limited (the "Company") is pleased to present herein the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 September 2002 together with comparative amounts for the relevant corresponding period (the "Interim Financial Statements"). The Interim Financial Statements have not been audited, but have been reviewed by the Company's Audit Committee and the Company's auditors.

Condensed Consolidated Profit and Loss Account – Unaudited

	Notes	**Six months ended 30 September 2002 HK$'000**	Six months ended 30 September 2001 HK$'000 (Restated)
Turnover	*3*		
Continuing operations		**9,052**	23,174
Discontinuing operations	*4*	**–**	57,023
		9,052	80,197
Cost of sales/construction		**(6,204)**	(68,501)
Gross profit		**2,848**	11,696
Other revenue and gains		**1,554**	6,722
Net gain on disposal of discontinuing operations	*4*	**–**	4,294
Impairment losses		**–**	(225,557)
Other operating expenses		**(8,755)**	(68,422)
Loss from operations	*5*		
Continuing operations		**(4,353)**	(152,681)
Discontinuing operations	*4*	**–**	(118,586)
		(4,353)	(271,267)
Finance costs – Interest on borrowings/ finance lease payables		**(1,758)**	(2,976)
Loss before minority interests			
Continuing operations		**(6,111)**	(154,742)
Discontinuing operations	*4*	**–**	(119,501)
		(6,111)	(274,243)
Minority interests		**–**	3,338
Net loss from ordinary activities attributable to Shareholders		**(6,111)**	(270,905)
Loss per share	*8*		
Basic		**(1.4) cents**	(95.4) cents
Diluted		**N/A**	N/A

Condensed Consolidated Statement of Changes in Equity – Unaudited

	Issued capital HK$'000	Share premium account HK$'000	Special reserve HK$'000	Goodwill reserve HK$'000	Exchange fluctuation reserve HK$'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 April 2001:							
As previously reported	262,192	1,954,941	(3,500)	(111,000)	2,123	(2,071,401)	33,355
Prior year adjustment:							
SSAP 34 – recognition of unused annual leave entitlements	–	–	–	–	–	(158)	(158)
As restated	262,192	1,954,941	(3,500)	(111,000)	2,123	(2,071,559)	33,197
Issue of new shares	32,691	50,767	–	–	–	–	83,458
Release on disposal of discontinuing operations	–	–	3,500	470	(1,159)	–	2,811
Impairment of goodwill previously eliminated against consolidated reserves	–	–	–	110,530	–	–	110,530
Exchange realignments not recognised in the consolidated profit and loss account	–	–	–	–	288	–	288
Net loss for the period	–	–	–	–	–	(270,905)	(270,905)
At 30 September 2001	294,883	2,005,708	–	–	1,252	(2,342,464)	(40,621)
At 1 April 2002:							
As previously reported	4,423	33,472	–	–	(66)	(56,375)	(18,546)
Prior year adjustment:							
SSAP 34 – recognition of unused annual leave entitlements	–	–	–	–	–	(158)	(158)
As restated	4,423	33,472	–	–	(66)	(56,533)	(18,704)
Net loss for the period	–	–	–	–	–	(6,111)	(6,111)
At 30 September 2002	**4,423**	**33,472**	**–**	**–**	**(66)**	**(62,644)**	**(24,815)**

Condensed Consolidated Balance Sheet

	Notes	(Unaudited) 30 September 2002 HK$'000	(Audited) 31 March 2002 HK$'000 (Restated)
Non-current Assets			
Fixed assets		**10,973**	11,324
Other receivables		**493**	655
		11,466	11,979
Current Assets			
Properties for sale	*9*	**8,573**	9,072
Inventories		**4,764**	5,054
Debtors, prepayments and deposits	*10*	**5,830**	7,814
Cash and bank balances		**8,401**	9,607
		27,568	31,547
Current Liabilities			
Creditors, accrued liabilities and deposits received	*11*	**15,526**	21,866
Interest-bearing bank borrowings		**3,628**	3,616
Finance lease and hire purchase contract payables		**10**	39
Amount due to the ultimate holding company		**–**	4,580
Loan from the ultimate holding company	*12*	**44,550**	–
Amount due to a fellow subsidiary		**–**	118
		63,714	30,219
Net Current Assets/(Liabilities)		**(36,146)**	1,328
Total Assets less Current Liabilities		**(24,680)**	13,307
Non-current Liabilities			
Interest-bearing bank borrowings		**135**	203
Finance lease and hire purchase contract payables		**–**	8
Loan from the ultimate holding company	*12*	**–**	31,800
		135	32,011
		(24,815)	(18,704)
Shareholders' Deficits			
Issued capital	*13*	**4,423**	4,423
Reserves		**(29,238)**	(23,127)
		(24,815)	(18,704)

Condensed Consolidated Cash Flow Statement – Unaudited

	Six months ended 30 September	
	2002	2001
	HK$'000	HK$'000
Net cash outflow from operating activities	**(13,953)**	(81,406)
Net cash inflow from investing activities	**90**	122,687
Net cash inflow/(outflow) from financing activities	**12,645**	(64,905)
Decrease in cash and cash equivalents	**(1,218)**	(23,624)
Cash and cash equivalents at beginning of period	**6,126**	36,260
Effect of foreign exchange rate changes	**–**	(123)
Cash and cash equivalents at end of period	**4,908**	12,513
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**8,401**	15,984
Bank overdrafts	**(3,493)**	(3,471)
	4,908	12,513

Notes to Interim Financial Statements – Unaudited

1. Basis of presentation

The Group sustained a consolidated net loss from ordinary activities attributable to Shareholders of HK$6,111,000 for the six months ended 30 September 2002 and had consolidated net current liabilities of HK$36,146,000 and shareholders' deficits of HK$24,815,000 as at 30 September 2002. The Group also had an overall decrease in cash and cash equivalents for the period of HK$1,218,000. As at 30 September 2002, the Group had total interest-bearing bank borrowings of HK$3,763,000, of which HK$3,628,000 was classified as current liabilities, and a loan from Quality HealthCare Asia Limited ("QHA"), the Company's ultimate holding company as at 30 September 2002, of HK$44,550,000, which was fully settled subsequent to 30 September 2002 as further detailed in note 12 to the Interim Financial Statements. In preparing the Interim Financial Statements, the Directors of the Company have given careful consideration to the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and cash positive operations in the immediate and longer terms.

During the period, active cost-saving and value-adding measures to streamline the Group's existing operations and to focus on improving the financial resources of the Group have been implemented or are being contemplated to substantially reduce the operating expenses and cash outflows in the coming year and to enable the Group to revitalise itself to take advantage of any growth opportunities in the near future (the "Cost-saving/Value-adding Measures").

In addition, the Group is now exploring new business opportunities in order to revitalise the Group (the "New Business Opportunities").

Notwithstanding its liquidity concerns as at 30 September 2002, the Interim Financial Statements have been prepared on the assumption that the Group will continue to operate as a going concern for the foreseeable future. In the opinion of the Directors, the liquidity of the Group can be maintained in the coming year, after taking into consideration several measures/arrangements made during the period and subsequent to the balance sheet date, including, inter alia, the implementation of the Cost-saving/Value-adding Measures, the exploration of the New Business Opportunities and certain other measures/arrangements made subsequent to the balance sheet date, including inter alia a placement of the Company's shares for a total consideration (before deducting any incidental costs) of approximately HK$50 million and an issuance of a convertible note of the Company for a consideration (before deducting any incidental costs) of HK$7 million, as further detailed in note 16 to the Interim Financial Statements. Moreover, as further detailed in note 16 to the Interim Financial Statements, the financial and liquidity positions of the Group have improved substantially subsequent to the balance sheet date as a results of certain post balance sheet events and the Group would have pro forma adjusted consolidated net current assets and net assets of approximately HK$20.9 million and HK$25.2 million, respectively, as at 30 September 2002 after taking into account the net effect of certain post balance sheet events.

The Directors are satisfied that, in light of the measures/arrangements implemented to date, together with the expected results of other measures/arrangements in progress/as planned, the Group will have sufficient financial resources to satisfy its future working capital and other financing requirements for the foreseeable future. The Directors believe that the aforementioned measures/arrangements will be successful. Accordingly, the financial statements have been prepared on a going concern basis.

The Interim Financial Statements have not incorporated any adjustments that may be required if the above measures/arrangements are not successful. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of all assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the Interim Financial Statements.

2. Basis of preparation and principal accounting policies

The Interim Financial Statements have not been audited, but have been reviewed by Ernst & Young in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants.

The Interim 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 the Interim Financial Statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 March 2002, except that the following recently issued/revised SSAPs have been adopted for the first time in the preparation of the Interim 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 has no major impact on the Interim 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 flows 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 4 to the Interim 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 liabilities 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 liabilities for the unused annual leave entitlements and to retrospectively increase the Group's opening balances of accumulated losses as at 1 April 2001 and 2002 by HK$158,000.

3. Segment information – Unaudited

(a) Business segments

An analysis of the Group's revenue and results for the six months ended 30 September 2002 by business segment is as follows:

	Healthcare transaction operations and related businesses		Ground engineering and building construction		Telemarketing services		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
Segment revenue:								
Sales to external customers	9,052	28,154	–	43,820	–	8,223	9,052	80,197
Other revenue and gains	1,501	2,624	–	218	–	3,365	1,501	6,207
Total	10,553	30,778	–	44,038	–	11,588	10,553	86,404
Segment results	(3,752)	(150,012)	–	(6,217)	–	1,202	(3,752)	(155,027)
Interest income and unallocated gains							53	515
Net gain on disposal of discontinuing operations							–	4,294
Unallocated impairment losses*							–	(118,001)
Unallocated expenses							(654)	(3,048)
Loss from operations							(4,353)	(271,267)
Finance costs							(1,758)	(2,976)
Loss before minority interests							(6,111)	(274,243)
Minority interests							–	3,338
Net loss from ordinary activities attributable to Shareholders							(6,111)	(270,905)

* *The amount represented unallocated losses on impairment of goodwill and goodwill reserve previously eliminated against consolidated reserves.*

(b) Geographical segments

An analysis of the Group's revenue and results for the six months ended 30 September 2002 by geographical segment is as follows:

	Hong Kong		Taiwan		Other Asia Pacific countries		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
Segment revenue:								
Sales to external customers	9,052	66,994	–	8,223	–	4,980	9,052	80,197
Other revenue and gains	1,501	2,785	–	3,365	–	57	1,501	6,207
Total	10,553	69,779	–	11,588	–	5,037	10,553	86,404
Segment results	(3,752)	(148,832)	–	1,202	–	(7,397)	(3,752)	(155,027)

4. Discontinuing operations

In view of a strategic plan to concentrate on the Group's core/profitable activities, the Group has discontinued its ground engineering and building construction segment, its telemarketing services segment and its healthcare transaction operations and related businesses in other Asia Pacific countries as detailed below:

(a) Discontinuance of the ground engineering and building construction segment
On 26 March 2001, the Company entered into a conditional agreement with a company owned or controlled by certain then beneficial Shareholders/Directors of a subsidiary of the Group for the disposal of the Group's 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"). The principal activities of KWC BVI and its subsidiaries comprised the ground engineering and building construction operations of the Group. 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 net gain on disposal of such operations amounted to approximately HK$4.3 million. There was no tax arising on the disposal.

(b) Discontinuance of the telemarketing services segment
On 11 February 2002, the Group 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., (the "TQG Disposal") and an assignment to the purchaser all the rights to the repayment of an outstanding loan totalling approximately HK$14.5 million owed by Top Quality Global Inc. to the Group for an aggregate cash consideration (net of related costs) of HK$7.4 million. The principal activities of Top Quality Global Inc. and its subsidiaries comprised the telemarketing services of the Group. Further details of the TQG Disposal are also set out in a circular of the Company dated 8 March 2002.

The TQG Disposal was completed on 12 February 2002 and the telemarketing services 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 was received in August 2002. 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 the relevant reserve. There was no tax arising on the disposal.

(c) Discontinuance of healthcare transaction operations and related businesses in other Asia Pacific countries
On 19 November 2001, ehealthcareasia (BVI) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with CR Group Pty Limited (the "CR Group") in relation to the disposal of the entire issued share capital of eHealth Australia Pty Limited (the "Sale Shares") indirectly held by the Company (the "Disposal Agreement"). Pursuant to the Disposal Agreement, the Company conditionally agreed to sell and the CR Group conditionally agreed to purchase the Sale Shares for a nominal value of A$1. The principal activities of eHealth Australia Pty Limited and its subsidiaries comprised the entire healthcare transaction operations and related businesses of the Group in Australia. Further details of the disposal are also set out in a circular of the Company dated 10 December 2001.

The disposal was completed on 28 December 2001 and the entire healthcare transaction operations and related businesses of the Group in Australia were then discontinued and the disposal consideration was settled on that date. The loss on disposal of such operations amounted to approximately HK$9 million after the release of the relevant reserve. There was no tax arising on the disposal.

On 18 February 2002, the Group passed a special resolution to voluntarily liquidate ehealthcareasia Pte Limited ("EHA Singapore"), a wholly-owned subsidiary of the Group, into voluntary liquidation and EHA Singapore ceased its operations thereafter. The principal activities of EHA Singapore comprised the healthcare transaction operations and related businesses of the Group in Singapore. The voluntary liquidation has been substantially completed as of the date of the approval of the Interim Financial Statements, subject to the final clearance/approval of relevant local government authorities.

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

	Ground engineering and building construction		Telemarketing services		Healthcare transaction operations and related businesses in other Asia Pacific countries		Unallocated		Total	
	2002 HK$'000 (Unaudited)	2001 HK$'000 (Unaudited)	**2002 HK$'000 (Unaudited)**	2001 HK$'000 (Unaudited)	**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	**-**	43,820	**-**	8,223	**-**	4,980			**-**	57,023
Cost of sales/construction	**-**	(43,063)	**-**	(6,141)	**-**	(725)			**-**	(49,929)
Gross profit	**-**	757	**-**	2,082	**-**	4,255			**-**	7,094
Net gain on disposal of discontinuing operations	**-**	4,294	**-**	–	**-**	–			**-**	4,294
Other revenue and gains	**-**	245	**-**	3,379	**-**	78			**-**	3,702
Impairment loss*	**-**	–	**-**	–	**-**	–	**-**	(110,530)	**-**	(110,530)
Other operating expenses	**-**	(7,192)	**-**	(4,245)	**-**	(11,709)			**-**	(23,146)
Profit/(loss) from operations	**-**	(1,896)	**-**	1,216	**-**	(7,376)			**-**	(118,586)
Finance costs	**-**	(487)	**-**	–	**-**	(428)			**-**	(915)
Profit/(loss) before tax	**-**	(2,383)	**-**	1,216	**-**	(7,804)			**-**	(119,501)
Tax	**-**	–	**-**	–	**-**	–			**-**	–
Profit/(loss) after tax	**-**	(2,383)	**-**	1,216	**-**	(7,804)			**-**	(119,501)

* *The amount represented unallocated loss on impairment of goodwill arising on acquisition eliminated directly against consolidated reserves attributable to the discontinuing operations.*

The carrying amounts of the total assets and liabilities relating to the discontinuing operations as at 30 September 2002 and 31 March 2002 are as follows:

	Ground engineering and building construction		Telemarketing services		Healthcare transaction operations and related businesses in other Asia Pacific countries		Total	
	30 September 2002 HK$'000 (Unaudited)	31 March 2002 HK$'000 (Audited)	**30 September 2002 HK$'000 (Unaudited)**	31 March 2002 HK$'000 (Audited)	**30 September 2002 HK$'000 (Unaudited)**	31 March 2002 HK$'000 (Audited)	**30 September 2002 HK$'000 (Unaudited)**	31 March 2002 HK$'000 (Audited)
Total assets	**–**	–	**–**	–	**82**	82	**82**	82
Total liabilities	**–**	–	**–**	–	**(82)**	(82)	**(82)**	(82)
	–	–	**–**	–	**–**	–	**–**	–

The net cash inflow/(outflow) attributable to the discontinuing operations for the six months ended 30 September 2002 and 2001 are as follows:

	Ground engineering and building construction		Telemarketing services		Healthcare transaction operations and related businesses in other Asia Pacific countries		Total	
	2002 HK$'000 (Unaudited)	2001 HK$'000 (Unaudited)	**2002 HK$'000 (Unaudited)**	2001 HK$'000 (Unaudited)	**2002 HK$'000 (Unaudited)**	2001 HK$'000 (Unaudited)	**2002 HK$'000 (Unaudited)**	2001 HK$'000 (Unaudited)
Net cash inflow/(outflow) from operating activities	**–**	(51,609)	**–**	2,362	**–**	914	**–**	(48,333)
Net cash outflow from investing activities	**–**	(3,645)	**–**	(1,713)	**–**	(287)	**–**	(5,645)
Net cash outflow from financing activities	**–**	(6,083)	**–**	–	**–**	(573)	**–**	(6,656)
Net cash inflow/(outflow)	**–**	(61,337)	**–**	649	**–**	54	**–**	(60,634)

5. Loss from operations

Loss from operations is arrived at after charging/(crediting):

	Six months ended 30 September	
	2002	2001
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold and services provided	**6,204**	13,960
Cost of construction	**–**	43,063
Amortisation of intangible assets	**–**	2,444
Amortisation of goodwill	**–**	127
Depreciation	**364**	8,485
Less: Amount capitalised as contract costs	**–**	(316)
	364	8,169
Provision for properties for sale	**499**	–
Impairment of licence and co-operative rights	**–**	107,556
Impairment of goodwill	**–**	7,471
Impairment of goodwill arising on acquisitions eliminated directly against consolidated reserves	**–**	110,530
Interest income	**(25)**	(515)

6. Tax

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the period (2001: Nil).

Based on existing legislation, interpretations and practices in respect thereof, the Group did not have any unprovided taxes on profits assessable elsewhere (2001: Nil).

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

7. Dividend

The Directors do not recommend the payment of any interim dividend for the period (2001: Nil).

8. Loss per share

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to Shareholders for the period of HK$6,111,000 (2001: HK$270,905,000) and the weighted average of 442,325,172 ordinary shares (2001: 283,965,415 ordinary shares, as restated to reflect the consolidation of the shares of the Company effective on 21 December 2001 as further detailed in a circular of the Company dated 27 November 2001) in issue during the period.

No diluted loss per share is presented for the six months ended 30 September 2002 and 2001, as the effect of the Company's potential ordinary shares outstanding during those periods was anti-dilutive.

9. Properties for sale

	30 September 2002 HK$'000 (Unaudited)	31 March 2002 HK$'000 (Audited)
Properties for sale stated at lower of cost and net realisable value:		
At cost	**2,873**	9,072
At net realisable value	**5,700**	–
	8,573	9,072

10. Debtors, prepayments and deposits

The Group allows an average general 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 reviewed regularly by senior management.

An aged analysis of the Group's trade debtors included in debtors, prepayments and deposits as at the balance sheet date, based on invoice date, and net of provision, is as follows:

	30 September 2002 HK$'000 (Unaudited)	31 March 2002 HK$'000 (Audited)
Trade debtors:		
Current – 90 days	**2,896**	3,691
91 – 180 days	**6**	1,930
181 – 365 days	**4**	10
	2,906	5,631
Prepayments, deposits and other debtors	**2,924**	2,183
	5,830	7,814

Included in the Group's trade debtors at 31 March 2002 were amounts due from fellow subsidiaries of HK$3,949,000, which were settled during the period.

11. Creditors, accrued liabilities and deposits received

An aged analysis of the Group's trade creditors included in creditors, accrued liabilities and deposits received as at the balance sheet date, based on invoice date, is as follows:

	30 September 2002 HK$'000 (Unaudited)	31 March 2002 HK$'000 (Audited) (Restated)
Trade creditors:		
Current – 90 days	**1,590**	3,460
91 – 180 days	**17**	3,591
181 – 365 days	**147**	109
Over 365 days	**296**	300
	2,050	7,460
Accrued liabilities, deposits received and other creditors	**13,476**	14,406
	15,526	21,866

Included in the Group's trade creditors at 31 March 2002 was an amount due to a fellow subsidiary of HK$5,775,000, which was settled during the period.

12. Loan from the ultimate holding company

The balance as at 31 March 2001 represented the loan drawn-down under a revolving term loan facility granted by QHA, pursuant to a loan agreement dated 5 October 2000 for up to HK$75 million, which was unsecured, bore interest at Hong Kong dollar prime lending rate plus 3% per annum and was originally repayable at the earlier of 31 December 2001 or six months after QHA's shareholding interest in the Company fell below 50%.

Pursuant to a renewed loan agreement dated 22 November 2001 entered into between the Company and QHA, QHA agreed to extend a renewed revolving loan facility to the Company, inter alia, on the following terms:

- the maximum principal amount that might be outstanding at any one time under the renewed revolving loan facility should be (i) HK$60,000,000 during the period from 1 January 2002 to 28 February 2002; and (ii) HK$45,000,000 during the period from 1 March 2002 to 31 December 2003;
- the loan should be repayable on 31 December 2003;
- the loan should be repayable upon demand should QHA's shareholding interest in the Company fell below 30%;
- the loan should bear interest at Hong Kong dollar prime lending rate plus 3% per annum; and
- the Company should undertake to QHA that the Group should not dispose of any businesses/assets (save in the ordinary course of business and not exceeding HK$100,000) without QHA's prior consent and that the Company would apply the proceeds from any such disposal towards the reduction of the amounts outstanding from time to time under the renewed loan agreement.

The renewed loan agreement and the above terms were subject to certain conditions, which were satisfied prior to 31 March 2002 and accordingly, the loan from QHA as at 31 March 2002 was classified as a non-current liability.

As further detailed in note 16 to the Interim Financial Statements, QHA's interest in the Company fell below 50% subsequent to 30 September 2002 and accordingly, the loan from the ultimate holding company became repayable on demand. The loan from the ultimate holding company was settled in full on 4 October 2002, partly by the utilisation of part of the proceeds from a share subscription by an independent third party and partly by off-setting the principal amount of a convertible note issued by the Company to a subsidiary of QHA as further detailed in note 16 to the Interim Financial Statements.

13. Share capital

	30 September 2002 HK$'000 (Unaudited)	31 March 2002 HK$'000 (Audited)
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
442,325,172 ordinary shares of HK$0.01 each	**4,423**	4,423

14. 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 three 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 30 September 2002, the Group had total future minimum operating lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2002 HK$'000 (Unaudited)	31 March 2002 HK$'000 (Audited)
Within one year	**505**	530
In the second to fifth years, inclusive	**150**	230
	655	760

(b) **As lessee**

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three 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 30 September 2002, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due within one year of HK$38,000 (31 March 2002: HK$309,000).

15. Related party transactions

In addition to the transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following material transactions with related parties during the period:

		Six months ended 30 September	
	Notes	**2002 HK$'000 (Unaudited)**	2001 HK$'000 (Unaudited)
Amount charged by the ultimate holding company for the sharing of corporate expenses	*(a)*	**2,800**	4,200
Interest charged by the ultimate holding company	*(b)*	**1,606**	1,209
Information technology service fee	*(c)*	**–**	1,412
Construction work carried out for related companies	*(d)*	**–**	2,582
Transaction processing fees charged to the QHA group	*(e)*	**–**	10,507

Notes:

(a) The amount charged was mutually agreed between the Group and the ultimate holding company with reference to the corporate expenses incurred.

(b) The interest expense charged by the ultimate holding company arose from an unsecured revolving term loan from the ultimate holding company as further described in note 12 to the Interim Financial Statements.

(c) The information technology service fee was charged to a fellow subsidiary with reference to the actual labour hours utilised.

(d) The Group carried out construction work for certain related companies, in which certain of the then Directors and/or beneficial Shareholders of certain then subsidiaries were Directors and/or beneficial Shareholders of those companies.

(e) The Group handled healthcare medical transactions for the QHA group and charged transaction processing fees according to the terms of a service agreement dated 29 April 2000 entered into between the Group and the QHA group.

16. Post balance sheet events

A summary of the significant post balance sheet events of the Group not disclosed elsewhere in the condensed consolidated financial statements is set out below.

(a) On 8 August 2002, the Company entered into a conditional shares subscription agreement (the "Shares Subscription Agreement") with Wealth Generator Limited ("Wealth Generator"), an independent third party, pursuant to which, Wealth Generator agreed to subscribe 5,000,000,000 new ordinary shares of the Company (the "New Shares") at a subscription price of HK$0.01 per New Share in respect of 4,999,998,000 New Shares and at a subscription price of HK$0.08 per New Share in respect of 2,000 New Shares (the "Shares Subscription"). The total consideration for the Shares Subscription (before deducting any incidental costs) amounted to approximately HK$50 million, which was settled in cash by Wealth Generator upon the completion of the Shares Subscription Agreement. The Shares Subscription resulted in an increase in Wealth Generator's interest in the Company to approximately 91.9% and a corresponding decrease in QHA's interest in the Company to approximately 4.4%. The Shares Subscription Agreement was completed on 4 October 2002 and Wealth Generator became the Company's new ultimate holding company. The proceeds from the Shares Subscription were used to repay part of the loan from QHA. Further details of the Shares Subscription Agreement are set out in a circular of the Company dated 11 September 2002.

(b) On 8 August 2002, the Company entered into a conditional note subscription agreement (the "Note Subscription Agreement") with Quality HealthCare Investment Limited ("QHI"), a wholly-owned subsidiary of QHA, pursuant to which, QHI agreed to subscribe for a convertible note (the "Convertible Note") with a face value of HK$7 million carrying rights to convert into new shares of the Company at HK$0.05 per share (subject to adjustment) (the "Note Subscription"). The Convertible Note bears interest at Hong Kong dollar prime lending rate plus 3% per annum and will mature on the second anniversary from its date of issue. The Convertible Note is convertible on any business day following the 12 months after the date of issue and is redeemable at the maturity date. The Note Subscription Agreement was completed on 4 October 2002. Pursuant to the Note Subscription Agreement, the amount owed by QHI in respect of the Note Subscription of HK$7 million was settled by off-setting part of the loan from QHA. Further details of the Note Subscription Agreement are set out in a circular of the Company dated 11 September 2002.

On completion of the Shares Subscription Agreement and the Note Subscription Agreement, the Directors of the Company consider that the liquidity position of the Group has been substantially improved. A summary of the condensed pro forma adjusted unaudited consolidated net assets of the Group as at 30 September 2002, based on the unaudited consolidated net liabilities of the Group as at that date and adjusted as if the completion of the Shares Subscription, Note Subscription and the repayments of the loan from QHA (the "Repayments") had taken place at that date, but excluding the effect of any incidental costs associated with such events, is presented below:

	Unaudited consolidated amount HK$'000	**Net effect of the Shares Subscription, the Note Subscription and the Repayments** HK$'000	**Pro forma adjusted unaudited consolidated amount** HK'000
Non-current assets	11,466	–	11,466
Net current assets/(liabilities)	(36,146)	57,000	20,854
Non-current liabilities	(135)	(7,000)	(7,135)
Net assets/(liabilities)	(24,815)	50,000	25,185

(c) On 8 August 2002, the Company entered into a conditional distribution agreement (the "Distributorship Agreement") with Shenzhen Wanji Medicine Products Co. Ltd. ("Shenzhen Wanji"), whereby the Company (for itself and its subsidiary) 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 (the "PRC"), for a fixed term of 10 years. Shenzhen Wanji is controlled by Mr. Chen Wei Dong, who is a brother of Ms. Chen Shini, the beneficial owner of Wealth Generator. The Distributorship Agreement was completed on 4 October 2002. Further details of the Distributorship Agreement are set out in a circular of the Company dated 11 September 2002.

(d) Immediately following the completion of the Shares Subscription Agreement, Wealth Generator became interested in approximately 91.9% of the issued share capital of the Company and was therefore obliged under the Code on Takeovers and Mergers issued by the Securities and Futures Commission of Hong Kong (the "Takeover Code") to make a mandatory unconditional cash offer to acquire all the issued shares other than those already owned or agreed to be acquired by Wealth Generator and its concert parties (as defined in the Takeover Code) (the "Offer"). On 28 October 2002, Wealth Generator received valid acceptances in respect of 392,831,884 issued ordinary shares of the Company under the Offer. Following the close of the Offer and taking into account of the acceptances of the Offer, Wealth Generator and its associates were interested in a total of 5,392,831,884 ordinary shares, representing approximately 99.1% of the issued shares of the Company. Further details of the Offer are set out in a circular of the Company dated 7 October 2002 and in a joint announcement of the Company and Wealth Generator dated 29 October 2002.

In order to comply with the minimum public float requirement pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), YF Securities Company Limited, on behalf of Wealth Generator, placed an aggregate of 1,583,204,000 ordinary shares of the Company (the "Placement"), representing approximately 29% of the issued share capital of the Company, to 18 placees, being independent third parties not connected with the Company, the Directors, chief executive, the substantial Shareholders of the Company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) on or before 1 November 2002. The Placement was completed on 7 November 2002. Further details of the Placement are set out in an announcement of the Company dated 4 November 2002.

17. Comparative amounts

As further explained in note 2 to the Interim 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 Interim 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.

18. Approval of the Interim Financial Statements

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 19 December 2002.

LIQUIDITY AND FINANCIAL RESOURCES

(1) Equity and debt structure

	30 September 2002 HK$'000	31 March 2002 HK$'000 (Restated)
Share capital	**4,423**	4,423
Reserves	**(29,238)**	(23,127)
Shareholders' deficits	**(24,815)**	(18,704)
Loan from the ultimate holding company	**44,550**	31,800
Interest-bearing bank borrowings	**3,763**	3,819
	23,498	16,915

Reconciliation of shareholders' deficits	HK$'000
Balance at 1 April 2002 (as restated)	(18,704)
Net loss from ordinary activities attributable to Shareholders	(6,111)
Balance at 30 September 2002	(24,815)

The Group's shareholders' deficits increased from approximately HK$18.7 million (as restated) at 31 March 2002 to approximately HK$24.8 million at 30 September 2002. The increase was mainly due to the net loss from ordinary activities attributable to Shareholders during the period of approximately HK$6.1 million.

The Group's debts (bank borrowings and the loan from the ultimate holding company) increased from approximately HK$35.6 million at 31 March 2002 to approximately HK$48.3 million at 30 September 2002 and were used for financing general working capital requirements and reducing indebtedness.

(2) Debt maturity profile

	30 September 2002 HK$'000	31 March 2002 HK$'000
Repayable:		
Within one year and on demand	**48,178**	3,616
In the second year	**135**	31,935
In the third to fifth years, inclusive	**–**	68
	48,313	35,619

As detailed in notes 12 and 16 to the Interim Financial Statements, QHA's interest in the Company fell below 50% subsequent to 30 September 2002 and accordingly, the loan from the ultimate holding company became repayable on demand.

(3) **Net debt/equity**

	30 September 2002 HK$'000	31 March 2002 HK$'000
Shareholders' deficits	**(24,815)**	(18,704)
Net debt:		
Loan from the ultimate holding company	**44,550**	31,800
Interest-bearing bank borrowings	**3,763**	3,819
Cash and bank balances	**(8,401)**	(9,607)
	39,912	26,012

The gearing ratio comparing net debt to equity was negative at 30 September 2002 and 31 March 2002.

(4) **Currency and financial risk management**

The Group's income and expenditure streams for the current period were mainly denominated in Hong Kong dollars.

Borrowings in the form of letters of credit, overdrafts and other bank borrowings are mainly denominated in Hong Kong dollars and bear interest at floating rates.

Over 99% of cash and bank balances are denominated in Hong Kong dollars. Any surplus cash is placed in savings accounts and short term bank deposits to earn interest income.

The Group's foreign currency assets, except for certain properties for sale in the PRC, 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.

PLEDGE OF ASSETS

At 30 September 2002, the Group pledged a property for sale and a leasehold property for certain banking facilities.

MANAGEMENT AND STAFF

As at 30 September 2002, the Group had 22 employees (31 March 2002: approximately 30). In addition to salaries, the Group provides certain benefits including a medical scheme for its employees. The Group has also adopted a discretionary bonus programme and a share option scheme for its employees, with share option awards determined based on the performance of the Group and individual employees.

AUDIT COMMITTEE

The Group has an Audit Committee comprising two non-executive Directors. The Audit Committee has reviewed the Interim Financial Statements with the Board of Directors.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2002, the interests of the Directors and their associates in the securities 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules on the Stock Exchange were as follows:

Name of Company	Name of Director	Nature of interests	Number of securities
The Company	Brian O'Connor	Personal	17,786,250 shares
		Corporate *(Note 1)*	152,030 shares
		Family *(Note 2)*	792,989 shares
	Richard Siemens	Corporate	329,764 shares
	Wong Tai Chun, Mark	Personal	747,777 shares
QHA	Brian O'Connor	Corporate *(Note 1)*	200,040,328 shares
		Family *(Note 2)*	317,195,946 shares
		Personal	300,000,000 shares
		Personal *(Note 3)*	14,000,000 share options
	Richard Siemens	Corporate	66,471,182 shares
	Wong Tai Chun, Mark	Personal	500,400 shares
		Personal *(Note 3)*	5,300,000 shares options

Notes:

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

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

3. These share options were granted under QHA's share option scheme adopted on 5 July 1993 (the "Scheme"). Details of the share options granted to the Directors under the Scheme at 30 September 2002 were as follows:

Name of Director	Number of share options At 1 April 2002	Lapsed during the period	At 30 September 2002	Date granted	Exercise period of share options	Exercise price per share options (Note) HK$
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**	19/04/1999	03/05/2000-02/11/2002	0.435
	3,000,000	–	**3,000,000**	19/04/1999	03/05/2001-02/11/2002	0.435
	8,000,000	–	**8,000,000**	08/11/1999	15/05/2000-14/05/2003	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**	19/04/1999	26/04/2000-25/10/2002	0.435
	400,000	–	**400,000**	19/04/1999	26/04/2001-25/10/2002	0.435
	750,000	–	**750,000**	21/02/2000	24/02/2001-04/07/2003	1.450
	750,000	–	**750,000**	21/02/2000	24/02/2002-04/07/2003	1.450
	1,500,000	–	**1,500,000**	10/06/2000	14/06/2001-04/07/2003	1.150
	1,500,000	–	**1,500,000**	10/06/2000	14/06/2002-04/07/2003	1.150
	5,600,000	(300,000)	**5,300,000**			

Note: QHA completed a rights issue by issuing rights shares at a price of HK$0.25 per rights share on the basis of one rights share for every existing share of QHA held on 17 September 2001. Accordingly, the number and exercise price of the outstanding share options have been adjusted as a result of the rights issue.

During the six months ended 30 September 2002, no share options were exercised by the Directors of the Company.

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

Save as disclosed above, as at 30 September 2002, none of the Directors and chief executives of the Company, or any of their 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 spouse 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.

Subsequent to the balance sheet date, as at 19 December 2002, being the latest practicable date for ascertaining the information contained in this document, Ms. Chen Shini, a Director of the Company, had corporate interests of 3,809,627,884 shares in the Company. These shares were owned by Wealth Generator which is wholly and beneficially owned by Ms. Chen.

Save as disclosed above, there were no other interests of the Directors and their associates in the securities of the Company, or any of its associated corporations as at the latest practicable date.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, according to the register kept by the Company pursuant to Section 16(1) of the SDI Ordinance, and so far as it 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 circumstances at general meetings of the Company together with the number of shares in which they were deemed to be interested were:

Name of Shareholders	**Number of shares held**
QHA *(Note)*	237,745,963
Quality HealthCare Investment Limited ("QHI") *(Note)*	237,745,963

Note: QHI and QHA are deemed to be interested in the same parcel of shares by virtue of Section 8(2) of the SDI Ordinance.

PURCHASES, SALES OR REDEMPTIONS OF SHARES

There have been no purchases, sales or redemptions of the Company's shares by the Company or any of its subsidiaries during the period under review.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

On behalf of the Board
Chen Wei Dong
Chairman

Hong Kong, 19 December 2002