



卓健亞洲有限公司
Quality HealthCare Asia Limited



ELDERLY CARE
Skin Care
Vision Care
Dental Care
Physiotherapy
MEDICAL CARE
Chinese Medicine
Psychological
Health Talk
Foot Care
Nursing Agency

choice

Medical Care

Skin Care

Foot Care



Chinese Medicine

Health Screening

Elderly Care

Physiotherapy

Nursing Agency



Psychotherapy



Dental Care

Diet Plan



Sleep Disorder

Health Talk



Employee Wellness

Vision Care

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Lincoln Chee Wang Jin (*Chief Executive Officer*)
Mark Wong Tai Chun

Non-Executive Director

Arthur George Dew (*Chairman*)

Independent Non-Executive Directors

Francis J. Chang Chu Fai (*Deputy Chairman*)
Li Chak Hung
Carlisle Caldwell Procter

EXECUTIVE COMMITTEE

Dr. Lincoln Chee Wang Jin (*Chairman*)
Mark Wong Tai Chun

AUDIT COMMITTEE

Li Chak Hung (*Chairman*)
Francis J. Chang Chu Fai
Carlisle Caldwell Procter

REMUNERATION COMMITTEE

Li Chak Hung (*Chairman*)
Francis J. Chang Chu Fai
Carlisle Caldwell Procter

COMPANY SECRETARY

Hester Wong Lam Chun

AUTHORISED REPRESENTATIVES

Mark Wong Tai Chun
Hester Wong Lam Chun

AUDITORS

Ernst & Young
Certified Public Accountants

LEGAL ADVISORS

Mallesons Stephen Jaques
P. C. Woo & Co.
Conyers Dill & Pearman

PRINCIPAL SHARE REGISTRAR

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

BRANCH SHARE REGISTRAR

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

CITIC Ka Wah Bank Limited
Public Bank (Hong Kong) Limited
Standard Chartered Bank (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

6/F., China Merchants Steam Navigation Building
303-307 Des Voeux Road Central
Sheung Wan, Hong Kong

TICKER SYMBOL

Listed on The Stock Exchange of Hong Kong
Limited under the share ticker number 593

WEBSITE

www.qualityhealthcareasia.com

Chairman's Statement

I am pleased to report that the Group continued to deliver growth in its overall revenue in the first six months of 2007. However, expenditure on planned network infrastructure expansion and upgrading together with increasing rental and staff costs have narrowed the operating margin resulting in a relatively small increase in net profit.

During the reporting period, revenue from sales to external customers of Quality HealthCare Medical Services ("QHMS") increased by 6.8% whilst revenue from sales to external customers of Quality HealthCare Services ("QHS") and Quality HealthCare Elderly Services ("QHES") dropped by 2.4% and 2.8%, respectively, as compared with the corresponding period last year.

FINANCIAL REVIEW

For the six months ended 30 June 2007, the Group reported a total turnover of HK\$460.9 million, an increase of 4.8%, compared to HK\$439.6 million for the same period last year. Profit attributable to equity holders of the Company was HK\$31.9 million, a marginal increase of 0.4%, compared to HK\$31.8 million for the corresponding period in the prior year.

Chairman's Statement



Basic earnings per share for the first half of 2007 were HK13.4 cents. The Board has declared an interim dividend of HK5.35 cents per share for the period under review.

Finance costs for the Group amounted to approximately HK\$1,000 for the reporting period.

The Group's positive net cash position increased by 21.6% from HK\$177.3 million at 31 December 2006 to HK\$215.5 million at 30 June 2007. Net cash inflow from operating activities amounted to HK\$25.4 million for the six months ended 30 June 2007.

BUSINESS REVIEW

Quality HealthCare Medical Services ("QHMS")

Western Medicine, Chinese Medicine

During the period, QHMS reported a 6.8% increase in revenue from sales to external customers and a 6.5% decrease in operating profit. Total revenue from sales to external customers of QHMS for the six months ended 30 June 2007 was HK\$370.2 million, compared with HK\$346.5 million for the corresponding period last year, whilst operating profit decreased by 6.5% to HK\$29.3 million from HK\$31.3 million in the corresponding period last year. This decrease is a consequence of two principal factors. Firstly, significant resources were invested in the addition of new integrated medical centres and the expansion and upgrading of existing centres to align the service output with our benchmark standards, enhance our geographical coverage, and ensure convenience and access for our clients. Secondly, increasing rental and staff costs adversely impacted profits. For the leases renewed during the period, the weighted average rate of increase was 92.8%. In addition,



we have also been facing substantial staff cost inflationary pressures. Despite these issues, we have been able to maintain our operating efficiency (operating profit before occupancy costs) at the 2006 level. We believe that our investment in facilities and professional staff to improve patient care and comfort should enable us to improve revenue mix and enable profit growth in the longer term.

Network Strategy

Further expansion of our medical network was achieved in the reporting period including the addition of a new centre in the New Territories as well as extensive renovation and expansion of two prime integrated medical centres in Kowloon and one on the Hong Kong side. Consistent with our network strategy, we have also expanded our affiliated network in Hong Kong and Macau in order to provide a more extensive coverage for our clients. This policy will be continued throughout the second half of 2007 and into 2008.

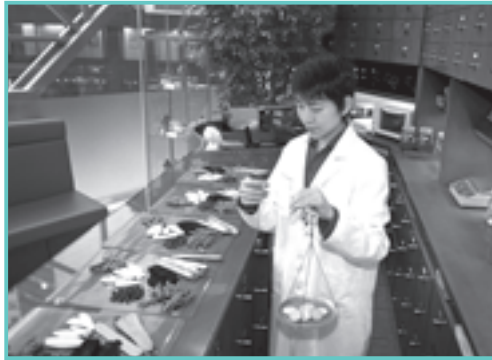
Chairman's Statement

Customer Engagement

We have continued to engage our customers through regular client meetings and formal surveys in order to measure our service and support levels. We have identified specific areas for improvement and have initiated a customer service campaign through our frontline staff focusing on these key aspects. We believe that we have achieved a positive improvement in our clients' satisfaction. QHMS will continue to develop this customer-centric culture through expansion of opportunities for training in service skill sets, continuous professional education, and training in language skills for our staff. In the reporting period, over 300 staff have undergone training provided by QHMS.

Quality Management

Specific teams have been engaged in the restructuring of various contracts and claims processing procedures to improve efficiency and cost effectiveness. Best-practice protocols and procedures will continue to be developed and implemented. Through internal reviews, gap analysis and regular auditing, we have initiated a series of systems enhancements as well as development of new programs to support our head office processes as well as frontline services. With the implementation of new diagnostic instruments and the launching of the Laboratory Information System, we have been able to improve the turnaround time for reports and save costs.



Product Development

In order to provide our clients with a seamless and continuous care program, we have enhanced our range of services and products to allow a wider choice for our clients under different circumstances, including change of jobs and retirement. In order to encourage our corporate clients to invest into the well being of their staff members, a series of Corporate Wellness Programs have been developed and we will investigate the feasibility of strategic alliances with other parties to expand these programs.

Chinese Medicine

Quality HealthCare Chinese Medicine ("QHCM") continued to grow its core and affiliated network in the first six months of 2007. Total number of visits increased by 14% in the reporting period as compared to the same period last year. With more corporate clients adopting this service within their medical plan, QHCM has expanded its service delivery with instant granule dispensing to match with clients' needs for more convenient solutions in taking Chinese herbal prescriptions.

Chairman's Statement

Dental, Nursing Agency, Physiotherapy, LASIK & Ophthalmic Services and Psychological Services

Quality HealthCare Services ("QHS")

The six-month revenue from sales to external customers of QHS decreased by 2.4% to HK\$42.7 million, from HK\$43.8 million in the same period in 2006. Operating profit dropped by 10.6% to HK\$3.2 million from HK\$3.6 million in the same period in 2006.

Dental: Quality HealthCare Dental ("QHD") continued to register growth in both corporate and cash clients in the first six months of 2007, and experienced an increase in both general practice and specialty dental services.

Two more practices were added in the first six months of 2007, respectively located in the New Territories and in Kowloon, together with medical services within our integrated medical centres. QHD will continue the expansion of its network and upgrading of its facilities in the coming months and will also expand its specialty and cosmetic dental services to its clients.

Nursing Agency: Notwithstanding strong competition, Quality HealthCare Nursing Agency ("QHNA") maintained its leading position in the home healthcare industry through its professionalism, integrity, and stringent quality assurance in the placement of nurses and healthcare assistants. QHNA continued to provide staff relief to support the staff shortage at nursing homes and hospitals, and experienced a steady growth in demand for nurses in the pharmaceutical and academic areas.

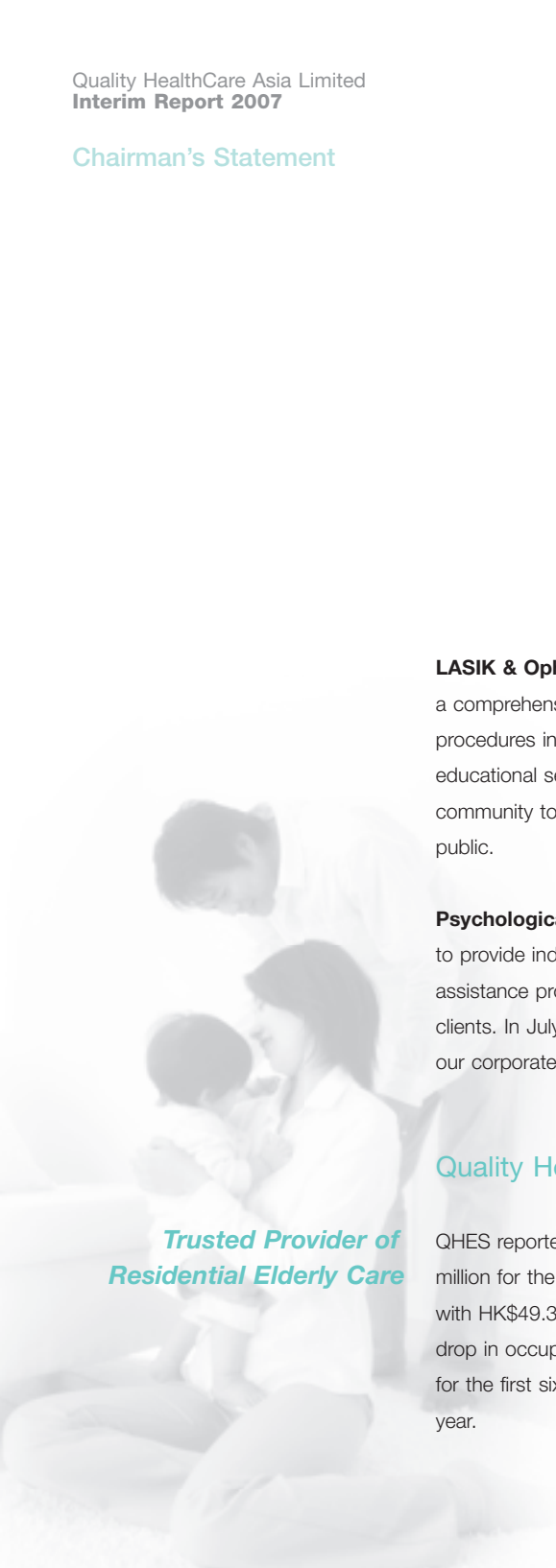


QHNA will continue to participate in career workshops with the Re-training Board to recruit suitable carers, as well as pursue marketing opportunities within public and private hospitals. QHNA will improve operational efficiency by devoting resources in the development of a customized software solution to support its head office operation.

Physiotherapy: Quality HealthCare Physiotherapy ("QHP") continued to experience an increase in the number of clients in the first six months of 2007. A new centre was opened in Kowloon in April 2007 to cater for the growing demand and two other centres were renovated to provide a better environment for our clients. Further expansion of the network and renovation of existing premises will continue throughout the second half of 2007.

QHP has successfully renewed its contract to deliver private evening and weekend physiotherapy services at the premises of Prince of Wales Hospital and has experienced steady growth in demand for services at the premises. In addition, QHP has developed new rehabilitation programs and hydrotherapy services to serve its clients at this location. Our Occupational Health and Safety Programs designed to assist our corporate clients to promote wellness for their staff have been well received.

Chairman's Statement



LASIK & Ophthalmic Services: This centre continued to deliver a comprehensive range of medical eye services as well as surgical procedures including LASIK, cataract, and other eye surgeries. Regular educational seminars were conducted at the centre as well as in the community to provide updated information on eye care for the general public.

Psychological Services: Our psychologists and counselors continued to provide individual counseling, critical incident debriefing, employee assistance programs, and training seminars to individual and corporate clients. In July 2007, we established a new centre in Macau to service our corporate clients in that area.

Quality HealthCare Elderly Services ("QHES")

Trusted Provider of Residential Elderly Care

QHES reported revenue from sales to external customers of HK\$48.0 million for the first six months of 2007, a decrease of 2.8% compared with HK\$49.3 million for the corresponding period last year owing to a drop in occupancy. Operating profit dropped by 4.4% to HK\$5.0 million for the first six months of 2007 from HK\$5.2 million for same period last year.

Chairman's Statement



Key challenges have been difficulties in the recruitment of personal care workers and ancillary workers as well as to the ongoing shortage of nurses in the market. This staff shortage has driven up salary costs, which together with rising rental costs have presented significant difficulties in maintaining operating margins.

We continue to conduct stringent quality assurance activities and regular facilities enhancement programs. Our marketing team continues to explore and develop different channels to promote our homes. An innovative program for alteration to rooms was implemented to better serve the needs of our residents.

PEOPLE

The dedication and loyalty of all of our doctors and other professional staff as well as other frontline staff, our management team and head office staff members, have contributed to the development of the Group. At Quality HealthCare, our people are our priority and we believe in continual investment in our people and to thereby establish ourselves as the employer of choice in the healthcare industry.

Chairman's Statement

OUTLOOK

Quality HealthCare takes pride in providing our integrated healthcare solutions to the people of Hong Kong. We are committed to the care of our clients and the delivery of services of international standard that meet our clients' needs and are also ethical and affordable. We expect healthcare costs will continue to rise because of the advance in medical technology, our aging population and rising expectations. We expect that this trend will be exacerbated by the ongoing significant increases in rental costs as well as other operating costs. We will continue to pursue efficiency through automation, process management, and training, whilst maintaining our service standards. We will also, together with our corporate partners, conduct health promotion educational programs and seek to deliver a range of wellness programs that will produce longer term healthcare savings.

Quality HealthCare continues to support the Government's initiatives in healthcare reform, and to embrace opportunities presented in different Public Private Initiatives. We will actively participate in Legco and other forums focused on healthcare reform and regulation to raise the standard and governance of private community care.

On behalf of the Board

Arthur George Dew

Chairman

Hong Kong, 30 August 2007

Report on Review of Interim Financial Information



To the board of directors of Quality HealthCare Asia Limited
(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 16 to 31 which comprises the condensed consolidated balance sheet of Quality HealthCare Asia Limited as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report of interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants
18th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

30 August 2007

Interim Condensed Consolidated Income Statement – Unaudited

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 HK\$'000	2006 HK\$'000
Revenue#	2	460,891	439,600
Other income and gains		9,629	6,832
Changes in inventories of finished goods and dispensary supplies consumed+		(20,746)	(18,252)
Employee benefits expenses		(163,006)	(156,462)
Depreciation		(7,968)	(7,123)
Other expenses, net		(241,606)	(227,177)
Finance costs – interest on borrowings		(1)	(1)
Share of profits of:			
An associate		378	246
A jointly-controlled entity		78	139
Profit before tax	3	37,649	37,802
Tax	4	(5,778)	(6,046)
Profit for the period attributable to equity holders of the Company		31,871	31,756
Dividend	5	12,783	6,505
Earnings per share attributable to ordinary equity holders of the Company	6		
Basic		13.4 cents	16.2 cents
Diluted		13.4 cents	15.9 cents

Revenue is also the Group's turnover

+ Being the cost of inventories sold for the period

Interim Condensed Consolidated Balance Sheet

30 June 2007

	Notes	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	7	37,833	38,199
Goodwill		1,358	1,358
Interest in a jointly-controlled entity		728	467
Interest in an associate		2,813	2,506
Deposits for purchases of items of property, plant and equipment		2,486	–
Total non-current assets		45,218	42,530
Current assets			
Inventories		11,198	9,684
Accounts receivable	8	110,905	108,731
Prepayments, deposits and other receivables		29,582	27,544
Cash and bank balances		215,546	177,283
Total current assets		367,231	323,242
Current liabilities			
Accounts payable, other payables, accruals and deposits received	9	108,772	117,544
Deferred revenue		3,310	3,607
Hire purchase contract payable		5	5
Tax payable		10,154	4,547
Total current liabilities		122,241	125,703
Net current assets		244,990	197,539
Total assets less current liabilities		290,208	240,069
Non-current liabilities			
Hire purchase contract payable		6	8
Deferred tax liabilities		1,369	1,369
Total non-current liabilities		1,375	1,377
Net assets		288,833	238,692
Equity attributable to equity holders of the Company			
Issued capital		23,893	21,038
Reserves		252,157	165,685
Proposed dividends		12,783	51,969
Total equity		288,833	238,692

Interim Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2007

	Issued capital HK\$'000	Share premium account HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	Total equity HK\$'000
At 1 January 2006	19,533	914	123,492	6,348	150,287
Warrants exercised (Note (i))	133	3,131	–	–	3,264
Share options exercised (Note (ii))	16	227	–	–	243
Final 2005 dividend declared	–	–	–	(6,361)	(6,361)
Adjustment for final 2005 dividend (Note (iii))	–	–	(13)	13	–
Profit for the period	–	–	31,756	–	31,756
Interim 2006 dividend	–	–	(6,505)	6,505	–
At 30 June 2006	19,682	4,272	148,730	6,505	179,189
At 1 January 2007	21,038	35,650	130,035	51,969	238,692
Warrants exercised (Note (i))	2,855	67,384	–	–	70,239
Final and special 2006 dividends declared	–	–	–	(51,969)	(51,969)
Profit for the period	–	–	31,871	–	31,871
Interim 2007 dividend	–	–	(12,783)	12,783	–
At 30 June 2007	23,893	103,034*	149,123*	12,783	288,833

* These reserve accounts comprise the consolidated reserves of HK\$252,157,000 in the interim condensed consolidated balance sheet.

Notes:

- (i) During the six months ended 30 June 2007, 28,552,521 (six months ended 30 June 2006: 1,326,497) ordinary shares of the Company of HK\$0.10 each were issued as a result of the exercise of certain warrants for a total cash consideration, before expenses, of approximately HK\$70,239,000 (six months ended 30 June 2006: HK\$3,264,000).
- (ii) During the six months ended 30 June 2006, 165,600 ordinary shares of the Company of HK\$0.10 each were issued for a total cash consideration of approximately HK\$243,000 upon the exercise of certain share options of the Company.
- (iii) The adjustment for final 2005 dividend was due to the issue of 406,826 ordinary shares pursuant to the exercise of the Company's share options and warrants prior to the record date of the final 2005 dividend and therefore they ranked for this dividend payment.

Interim Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007 HK\$'000	2006 HK\$'000
Net cash inflow from operating activities	25,408	21,145
Net cash outflow from investing activities	(5,413)	(7,992)
Net cash inflow/(outflow) from financing activities	18,268	(2,857)
Net increase in cash and cash equivalents	38,263	10,296
Cash and cash equivalents at beginning of period	177,283	116,640
Cash and cash equivalents at end of period	215,546	126,936
Analysis of balances of cash and cash equivalents		
Cash and bank balances	215,546	126,936

Notes to Unaudited Interim Financial Information

30 June 2007

1. Corporate information, basis of preparation and significant accounting policies

Corporate information

Quality HealthCare Asia Limited is a limited liability company incorporated in Bermuda.

During the period, the Group was involved in the following principal activities:

- provision of medical services
- provision of nursing agency, physiotherapy, dental and other services
- provision of elderly care services

Basis of preparation

This unaudited interim financial information, which comprises the condensed consolidated balance sheet of the Company as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes, has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited interim financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2006.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

1. Corporate information, basis of preparation and significant accounting policies (continued)

Significant accounting policies

The accounting policies adopted in the preparation of this unaudited interim financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA for the first time for the current period's unaudited interim financial information:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new and revised standards and interpretations has had no material effect on this unaudited interim financial information.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in this unaudited interim financial information. The Group has already commenced an assessment of the potential impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

HKFRS 8	Operating Segments
HKAS 23 (Revised)	Borrowing Costs
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKFRS 8, HKAS 23 (Revised), HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 January 2009, 1 January 2009, 1 March 2007 and 1 January 2008, respectively.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

2. Revenue and segment information

Revenue

Revenue, which is also the Group's turnover, represents the fees earned for the provision of medical services, nursing agency, physiotherapy, dental and other services, and elderly care services.

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Medical services	370,221	346,491
Nursing agency, physiotherapy, dental and other services	42,712	43,764
Elderly care services	47,958	49,345
	460,891	439,600

Segment information

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the Group's business segments are as follows:

- (a) the medical services segment engages in the provision of medical services;
- (b) the nursing agency, physiotherapy, dental and other services ("nursing agency, physio, dental and other services") segment engages in the provision of nursing agency, physiotherapy, dental, LASIK, ophthalmic and psychological services;
- (c) the elderly care services segment engages in the provision of elderly care services; and
- (d) the corporate and other segment comprises the Group's intra-group management service businesses, which principally provides management and other services to group companies, together with other corporate income and expense items.

Intersegment sales and transfers are transacted at mutually agreed terms.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

2. Revenue and segment information (continued)

Business segments

The following table presents revenue and profit/(loss) information for the Group's business segments for the six months ended 30 June 2007 and 2006.

	For the six months ended 30 June											
	Medical services		Nursing agency, physio, dental and other services		Elderly care services		Corporate and other		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:												
Sales to external customers	370,221	346,491	42,712	43,764	47,958	49,345	-	-	-	-	460,891	439,600
Intersegment sales*	180	1,656	8,429	5,701	2,897	2,889	33	26	(11,539)	(10,272)	-	-
Other income and gains	4,162	4,320	306	105	301	72	420	570	-	-	5,189	5,067
Total	374,563	352,467	51,447	49,570	51,156	52,306	453	596	(11,539)	(10,272)	466,080	444,667
Segment results	29,280	31,310	3,209	3,590	4,955	5,184	(4,690)	(4,431)	-	-	32,754	35,653
Unallocated interest income											4,440	1,765
Finance costs – interest on borrowings											(1)	(1)
Share of profits of:												
An associate	378	246	-	-	-	-	-	-	-	-	378	246
A jointly-controlled entity	78	139	-	-	-	-	-	-	-	-	78	139
Profit before tax											37,649	37,802
Tax											(5,778)	(6,046)
Profit for the period attributable to equity holders of the Company											31,871	31,756

* These figures are not included in revenue mentioned elsewhere in the Interim Report.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

3. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold and dispensary supplies consumed and cost of services provided	378,316	357,161
Loss/(gain) on disposal/write-off of items of property, plant and equipment	(347)	18
Bank interest income	(4,440)	(1,765)

4. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2006: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – Hong Kong Charge for the period	5,778	6,046

5. Dividend

At a meeting of the Board of Directors held on 30 August 2007, the Directors resolved to pay an interim dividend of HK5.35 cents (six months ended 30 June 2006: HK3.25 cents) per ordinary share of the Company in respect of the six months ended 30 June 2007.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

6. Earnings per share attributable to ordinary equity holders of the Company

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$31,871,000 (six months ended 30 June 2006: HK\$31,756,000), and the weighted average of 237,075,754 (six months ended 30 June 2006: 195,522,310) ordinary shares in issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$31,871,000 (six months ended 30 June 2006: HK\$31,756,000). The weighted average number of ordinary shares used in the calculation is the 237,075,754 (six months ended 30 June 2006: 195,522,310) ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average of 622,431 (six months ended 30 June 2006: 3,670,280) ordinary shares assumed to have been issued at nil consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

7. Property, plant and equipment

The total cost of additions to property, plant and equipment of the Group during the six months ended 30 June 2007 was HK\$8,731,000 (six months ended 30 June 2006: HK\$14,636,000) which mainly represented the costs incurred in leasehold improvements, medical equipment and computer equipment. The net book value of disposals and write-offs of property, plant and equipment during the six months ended 30 June 2007 was HK\$1,129,000 (six months ended 30 June 2006: HK\$18,000) which mainly represented the disposals and write-offs of leasehold improvements and medical equipment.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

8. Accounts receivable

The Group generally allows an average general credit period of 30 to 90 days for its business-related customers, except for certain well-established or major customers, where the terms are extended beyond 90 days. Management has a credit policy in place and exposure is monitored on an ongoing basis. Accounts receivable are non-interest-bearing.

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

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Current – 90 days	101,684	93,247
91 – 180 days	6,750	13,482
181 – 360 days	2,471	2,002
	110,905	108,731

9. Accounts payable, other payables, accruals and deposits received

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

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Accounts payable:		
Current – 90 days	27,454	27,810
91 – 180 days	11	454
	27,465	28,264
Other payables, accruals and deposits received	81,307	89,280
	108,772	117,544

The accounts payable are non-interest-bearing and are normally settled on 30 to 60 days terms.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

10. Contingent liabilities

As at 30 June 2007, the Group was engaged in certain claims which have not been disclosed in details, as the possibility of an outflow of resources embodying material economic benefits is remote.

11. Operating lease arrangements

(a) As lessor

The Group subleases certain of its premises under operating lease arrangements with non-cancellable leases negotiated for a term of three years. The terms of the leases generally also require the tenants to pay security deposits.

At 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within one year	106	106
In the second to fifth years, inclusive	146	199
	252	305

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

11. Operating lease arrangements (continued)

(b) As lessee

The Group leases certain of its medical centres, office premises, elderly care homes and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Within one year	48,484	66,836
In the second to fifth years, inclusive	55,023	93,412
After five years	–	5
	103,507	160,253

12. Commitments

In addition to the operating lease commitments detailed in note 11 above, the Group had the following capital commitments at the balance sheet date:

	30 June 2007 HK\$'000 (Unaudited)	31 December 2006 HK\$'000 (Audited)
Authorised but not contracted for: Leasehold improvements	4,566	–

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

13. Related party transactions

- (a) In addition to the transactions and balances detailed elsewhere in this unaudited interim financial information, the Group had the following material transactions with related parties during the period:

	For the six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Transactions with wholly-owned subsidiaries of Sun Hung Kai & Co. Limited ("SHK"), an indirect substantial shareholder of the Company during the prior period and which subsequently become an intermediate holding company of the Company:		
Insurance premiums charged by a subsidiary of SHK	4,247	3,003
Corporate secretarial services fees charged by a subsidiary of SHK	726	483
Transactions with a jointly-controlled entity:		
Service fee for the provision of facilities and services charged by a jointly-controlled entity for the Group's medical practices	1,981	1,855
Sale of medicines to a jointly-controlled entity	146	312
Transactions with an associate:		
Medical service fee charged by an associate	567	699
Management fee charged to an associate	120	120

The Group has granted a credit facility to an associate to the extent of HK\$1,000,000 at 30 June 2007 (30 June 2006: HK\$1,000,000) which was not utilised by the associate during the current and prior period. The amount drawn down under the credit facility shall bear interest at the Hong Kong Dollar Prime Lending Rate quoted by the Hongkong and Shanghai Banking Corporation and the credit facility is secured by personal guarantees provided by certain directors of the associate.

Notes to Unaudited Interim Financial Information (continued)

30 June 2007

13. Related party transactions (continued)

- (b) Outstanding balances with related parties
- (i) Included in the Group's accounts payable, other payables, accruals and deposits received at 30 June 2007 were outstanding balances with SHK and its wholly-owned subsidiaries totalling HK\$589,000 (31 December 2006: HK\$422,000).
- (ii) Included in the Group's interest in an associate at 30 June 2007 was an amount due from an associate of HK\$49,000 (31 December 2006: HK\$120,000) and included in the Group's interest in a jointly-controlled entity at 30 June 2007 was an amount due from a jointly-controlled entity of HK\$173,000 (31 December 2006: amount due to a jointly-controlled entity of HK\$10,000).
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Short term employee benefits*	3,390	3,186
Post-employment benefits	12	12
Total compensation paid to key management personnel	3,402	3,198

- * Included an amount charged by Allied Group Limited ("AGL"), an indirect substantial shareholder of the Company in the prior period and which subsequently became the ultimate holding company of the Company, for the reimbursement of a portion of the salary paid to Mr. Arthur George Dew, Chairman of the Company, for the six months ended 30 June 2007 of HK\$300,000 (six months ended 30 June 2006: payable to SHK of HK\$300,000). Further details of these arrangements were set out in joint announcements issued by the Company and AGL dated 2 March 2007, and by the Company and SHK dated 18 November 2005.

14. Approval of the unaudited interim financial information

This unaudited interim financial information was approved and authorised for issue by the Board of Directors on 30 August 2007.

Management Discussion and Analysis

Financial Resources and Liquidity

As at 30 June 2007, the equity attributable to equity holders of the Company amounted to HK\$288.8 million, representing an increase of HK\$50.1 million from that of 31 December 2006. The Group's short-term bank deposits, cash and bank balances amounted to HK\$215.5 million (31 December 2006: HK\$177.3 million). It is the Group's objective to ensure there are adequate funds to meet its liquidity requirements in the short and longer term.

The Group made no bank borrowings during the period. As at 30 June 2007, the only outstanding borrowing was an obligation under a hire purchase contract of approximately HK\$11,000.

Since the Group was in a positive net cash position (cash and bank balances available were in excess of borrowings), gearing ratio comparing net debt (borrowings net of cash and bank balances available) to equity was not applicable at 30 June 2007 and 31 December 2006.

Currency and Financial Risk Management

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

All bank facilities are denominated in Hong Kong dollars. Interest is chargeable on a floating rate basis with reference to Hong Kong Best Lending Rate or HIBOR.

Most cash and bank balances are denominated in Hong Kong dollars. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group's foreign currency assets are immaterial. The Group's exposure to foreign exchange risk is minimal, and accordingly, it did not have any requirement to use financial instruments for hedging purposes.

Pledge of Assets

As at 30 June 2007, the Group had property, plant and equipment with a net book value of approximately HK\$10,000 (31 December 2006: HK\$12,000) held under a hire purchase contract.

Contingent Liabilities

Details regarding the contingent liabilities of the Group at 30 June 2007 are set out in note 10 to the Group's unaudited interim financial information.

Management Discussion and Analysis (continued)

Material Acquisition and Disposal of Subsidiaries and Associates

During the period, there was no material acquisition or disposal of subsidiaries and associates by the Group.

Management and Staff

As at 30 June 2007, the total number of employees was approximately 1,090. Total staff costs amounted to approximately HK\$163.0 million (six months ended 30 June 2006: HK\$156.5 million). The Group offers competitive remuneration packages, together with discretionary bonuses to its staff, based on industry practices, individual and Group performances. The Group also offers training courses and continuous education sessions as part of the Group's emphasis on staff training and development.

Dividend and Book Close

The Board has declared the payment of an interim dividend of HK5.35 cents (2006: HK3.25 cents) per ordinary share in respect of the six months ended 30 June 2007 payable to shareholders whose names appear on the register of members of the Company on 21 September 2007.

The register of members of the Company will be closed from 19 September 2007 to 21 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 18 September 2007. Dividends are expected to be despatched on 3 October 2007.

Share Options

The Company has approved and adopted a share incentive plan (the "Share Incentive Plan") on 7 June 2002 and, unless otherwise cancelled or amended, the Share Incentive Plan will remain in force for 10 years from that date.

No options were granted under the Share Incentive Plan during the six months ended 30 June 2007, nor were there any options outstanding as at 30 June 2007.

Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2007, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register (the "Register of Directors' Interests") required to be kept by the Company under Section 352 of the SFO, 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 Issuers (the "Model Code") were as follows:

Name of Directors	Interests in the Company/associated corporations	Nature of interest	Number of shares and underlying shares held	Approximate percentage of the relevant issued share capital as at 30 June 2007
Dr. Lincoln Chee Wang Jin	Allied Group Limited ("Allied Group")	Personal	68,000 (Note 1)	0.03%
	Sun Hung Kai & Co. Limited ("SHK")	Personal	58,000 (Note 2)	0.00%
Mark Wong Tai Chun	Company	Personal	119,202 (Note 3)	0.05%

Notes:

1. This represents an interest in 68,000 shares of Allied Group, the ultimate holding company of the Company.
2. This represents an interest in 58,000 underlying shares of SHK, the holding company of the Company, attached to the physically-settled listed warrants of SHK.
3. This represents an interest in 119,202 shares of the Company.
4. All interests stated above represent long positions. As at 30 June 2007, no short positions were recorded in the Register of Directors' Interests.

Save as disclosed above, as at 30 June 2007, neither the Directors nor the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the Register of Directors' Interests or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2007, shareholders (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which were recorded in the register (the "Register of Substantial Shareholders' Interests") required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name of substantial shareholders	Nature of interest	Number of shares and underlying shares held	Approximate percentage of the issued share capital of the Company as at 30 June 2007	Notes
SHK	Interest of controlled corporation	122,213,776	51.15%	1
Allied Properties (H.K.) Limited ("Allied Properties")	Interest of controlled corporation	122,213,776	51.15%	2
Allied Group	Interest of controlled corporation	122,213,776	51.15%	3
Lee and Lee Trust ("LL Trust")	Interest of controlled corporation	122,213,776	51.15%	4
Penta Investment Advisers Limited ("Penta")	Investment manager	14,264,000	5.97%	5
John Zwaanstra	Interest of controlled corporation	14,264,000	5.97%	6

Notes:

1. This represents an interest in 122,213,776 shares of the Company held by Wah Cheong Development (B.V.I.) Limited ("Wah Cheong"), a wholly-owned subsidiary of SHK. SHK was therefore deemed, by virtue of the SFO, to have an interest in the shares and underlying shares in which Wah Cheong was interested.
2. Allied Properties, through its direct and indirect wholly-owned subsidiaries, AP Jade Limited and AP Emerald Limited, owned approximately 65.16% interest in the issued share capital of SHK and was therefore deemed, by virtue of the SFO, to have an interest in the shares and underlying shares in which SHK was interested.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares (continued)

3. Allied Group owned approximately 74.93% interest in the issued share capital of Allied Properties and was therefore deemed, by virtue of the SFO, to have an interest in the shares and underlying shares in which Allied Properties was interested.
4. Mr. Lee Seng Hui, Ms. Lee Su Hwei and Mr. Lee Seng Huang are the trustees of LL Trust, being a discretionary trust. They together owned approximately 42.11% interest in the issued share capital of Allied Group and were therefore deemed, by virtue of the SFO, to have an interest in the shares and underlying shares in which Allied Group was interested.
5. This represents an interest in 14,264,000 shares of the Company held by Penta.
6. Mr. John Zwaanstra owned 100% interest in the share capital of Penta and was therefore deemed, by virtue of the SFO, to have an interest in the shares in which Penta was interested.
7. All interests stated above represent long positions. As at 30 June 2007, no short positions were recorded in the Register of Substantial Shareholders' Interests.

Save as disclosed above, as at 30 June 2007, so far as was known to the Directors, no other person had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the Register of Substantial Shareholders' Interests.

Corporate Governance

Code on Corporate Governance Practices

During the six months ended 30 June 2007, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 of the CG Code stipulate that the terms of reference of the Remuneration Committee and Audit Committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.3, except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Directors only and not senior management (as opposed to Directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision C.3.3, except that the Audit Committee should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services.

The reasons for the above deviations are set out in the section “Corporate Governance Report” contained in the Company’s annual report for the financial year ended 31 December 2006. The Board considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following a specific enquiry by the Company, that they have complied with the required standard as set out in the Model Code throughout the period under review.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2007.

Audit Committee Review

The Audit Committee, comprising the three independent non-executive directors, namely Messrs. Li Chak Hung, Francis J. Chang Chu Fai and Carlisle Caldwell Procter, has reviewed internal controls and financial reporting matters including a general review of the unaudited interim financial report for the six months ended 30 June 2007. In carrying out this review, the Audit Committee has relied on a review conducted by the Group's external auditors in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has not undertaken detailed independent audit checks.



(Incorporated in Bermuda with limited liability)
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