

# Value Health Value Quality



卓健亞洲有限公司  
Quality HealthCare Asia Limited

Stock Code 股份代號: 0593

INTERIM REPORT  
中期報告

2008

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Arthur George Dew  
*(Chairman and Non-Executive Director)*

Dr. Lincoln Chee Wang Jin  
*(Chief Executive Officer and  
Executive Director)*

Mark Wong Tai Chun  
*(Executive Director)*

Francis J. Chang Chu Fai  
*(Deputy Chairman and Independent  
Non-Executive Director)*

Li Chak Hung  
*(Independent Non-Executive Director)*

Carlisle Caldwell Procter  
*(Independent Non-Executive Director)*

### 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

## Corporate Information

### 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](http://www.qualityhealthcareasia.com)

# Your Health Our Mission



## 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 2008. In anticipation of the inflationary pressure on rental and staff costs, active measures were implemented to counter or minimise the impacts through price increases, productivity improvement, and aggressive cost control. We are pleased to observe that positive contributions from these measures have begun to take effect in the period under report.

During the reporting period, revenue from sales to external customers of Quality HealthCare Medical Services ("QHMS") and Quality HealthCare Services ("QHS") increased by 14.3% and 10.1% respectively, whilst revenue from sales to external customers of Quality HealthCare Elderly Services ("QHES") increased marginally by 0.7%, as compared with the corresponding period last year.

## CHAIRMAN'S STATEMENT



### FINANCIAL REVIEW

For the six months ended 30 June 2008, the Group reported revenue of HK\$518.6 million, an increase of 12.5%, compared to HK\$460.9 million for the same period last year. Profit attributable to equity holders of the Company was HK\$29.3 million, a decrease of 8.2%, compared to HK\$31.9 million for the corresponding period in the prior year. The reduction in profit was principally due to the reduction in interest income derived from the Group's bank deposits, the decline in contribution from

the elderly operations and the absence of contribution of an associate which was disposed of in the second half of 2007.

Basic earnings per share for the first half of 2008 were HK12.3 cents.

The Board regularly reviews the price of the Company's shares in relation to the Company's underlying assets and earnings. The Board will in the future undertake the repurchase of its shares on the Stock Exchange when it considers the circumstances and prices to be

## CHAIRMAN'S STATEMENT

appropriate. Accordingly the Board has decided not to declare an interim dividend but will review the appropriate amount of any final dividend depending on the Company's final results and the extent of any share repurchases achieved in the meantime. The dividend policy previously adopted is to pay a dividend amounting to approximately 40% of after tax profits.

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

The Group's positive net cash position decreased by 7.4% from HK\$240.1 million at 31 December 2007 to HK\$222.3 million at 30 June 2008 as a result of the payment of the final and special dividends for 2007. Net cash inflow from operating activities amounted to HK\$34.3 million for the six months ended 30 June 2008.

## BUSINESS REVIEW

### Quality HealthCare Medical Services ("QHMS")

During the period, QHMS reported a 14.3% increase in revenue from sales to external customers and a 0.3% decrease

in operating profit. Total revenue from sales to external customers of QHMS for the six months ended 30 June 2008 was HK\$423.3 million, compared with HK\$370.2 million for the corresponding period last year, whilst operating profit decreased by 0.3% to HK\$29.2 million from HK\$29.3 million in the corresponding period last year.

QHMS has adopted different strategies to actively manage inflationary pressures





## CHAIRMAN'S STATEMENT

whilst continuing to develop business initiatives for further growth and development of the network and services. Through active negotiation with landlords, we have been successful in controlling rental costs inflation within our targeted range. Where appropriate we have introduced price adjustments for our services and offered alternative solutions for our clients. In addition, we have reviewed our mission-critical processes to ensure that they are efficient and effective. All these strategies will continue to be implemented throughout the course of the year.

### *IT Solutions*

The IT team has been working closely with key interfaces including the sales and marketing team, customer service department, the finance and billing team, and as well as frontline operation teams. Needs and current processes were critically analysed and some solutions have been developed to enhance efficiency, reduce errors and turnaround time, and contribute to cost savings, through program revamping and system integrations. One of the initiatives at the frontline operation included the

new electronic medical record system, which contributed to immediate savings in man-hours and premium space at the medical centres. To enhance the knowledge management of different teams, resources were allocated to enhance the Central Resources Library to function as a centralised knowledge repository. Other key IT initiatives targeted at significant cost centres include contract management systems and our billing and chit processing operations. Investments in time, capital and expertise will be made to achieve a scalable and cost effective infrastructure. Due to the complexity of such projects, the benefits in cost savings and productivity will be seen over the next twelve to eighteen months.

### *Network Development*

QHMS continued to expand its network of core medical centres during the reporting period, with the opening of a new centre in the central business district and the expansion of a medical centre in the Hong Kong East region into an integrated centre encompassing Western Medicine, Chinese Medicine, dental, and physiotherapy services. We are pleased to note a 5.7% increase in client visits at our

## CHAIRMAN'S STATEMENT

medical network, 14.2% increase in fee for services income and a growth of 14.9% in cash revenues during the reporting period compared to the corresponding period last year.

### *Service Enhancement*

In order to service the needs of our clients and optimise market opportunities, QHMS continued to enhance its value-added services including expansion of the cosmetic skin services and traditional Chinese Medicine network. The total number of patient visits increased by 25% for our Chinese Medicine network in the reporting period compared to the corresponding period last year, and we will continue our efforts to strengthen this service in the market place.

### *Business Opportunities*

QHMS continued to service an increasing number of corporate and individual clients subscribing to our medical and preventive care, and we will continue to upgrade our facilities and product choices to match such needs. We will also align the delivery model and supporting services capability, including the expansion of

the types of tests conducted by our Central Laboratory. QHMS will prepare to support the government's new initiatives in preventive care, such as the upcoming government subsidised Influenza Vaccination Subsidy Scheme administered by the Department of Health to facilitate Hong Kong children between the age of six months and less than six years obtaining influenza vaccination from private medical doctors. With a growing number of mainland Chinese visiting Hong Kong on a regular basis, our medical centres have experienced a gradual growth of clients from this sector. QHMS will continue to develop its capabilities in the frontline to suit the special needs of these clients.

### *Staff Engagement*

As a continuation of our customer service training program, QHMS has implemented a Service Ambassador program in 2008 to continue reinforcing the client-centric servicing culture within the Group. Through the nomination of peers, supervisors, and clients, we are pleased to report that over 30 staff received recognition as Service Ambassadors during the reporting period. The Company will continue to provide training programs for our staff members

## CHAIRMAN'S STATEMENT

in diverse areas including language and management skills as well as the organisation of courses designed to enhance the work life balance of our team members. To encourage more people to join the Group, QHMS has also worked with the Employee Retraining Board to organise a Health Care Assistance Trainee Program to provide both training and job opportunities for the under-privileged group.

### Quality HealthCare Services ("QHS")

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

The six-month revenue from sales to external customers of QHS increased by 10.1% to HK\$47.0 million, from HK\$42.7 million in the same period in 2007. Operating profit increased by 12.4% to HK\$3.6 million from HK\$3.2 million in the same period in 2007.

**Dental:** Quality HealthCare Dental ("QHD") continued to register steady growth in both corporate and cash clients in the first six months of 2008, and experienced

an increase in both general practice and specialty dental services. The dental practice at Quarry Bay was relocated and expanded in April 2008, and there is presently a total of 12 dental practices under QHD.

In August 2008, Dr. Bobbie Lau was appointed as Executive Director of QHD to replace Dr. Sandra Lee who resigned. Under the new management, QHD will strive to continue to improve standards, and focus on developing a wider scope of clinical services.

**Nursing Agency:** Quality HealthCare Nursing Agency ("QHNA") continued to provide valuable staffing solutions by offering steady staff relief for both private and Hospital Authority hospitals, nursing homes and international schools. QHNA has also developed its niche expertise in being the preferred nurse baby-sit provider for all major hotels in Hong Kong, as well as being a reputable third party administrator for research funding among research and pharmaceutical companies.

QHNA has seen a steady growth in local transfer and cross border ambulance services and will continue to review and

## CHAIRMAN'S STATEMENT

expand the repatriation business. QHNA will continue to provide nursing and care supports that are of the highest standard through stringent selection of nurses and care continuity. The new nurse scheduling system recently launched will assist QHNA in gaining more efficiency in selecting and matching nurses.

**Physiotherapy:** Quality HealthCare Physiotherapy ("QHP") achieved a 4% increase in the number of visits to its network for the first six months of 2008 compared to the corresponding period in 2007. Following two years of successful operation, QHP has successfully won the tender for a further three-year contract to deliver private evening and weekend physiotherapy services at the Prince of Wales Hospital.

In addition to its core services, QHP continued to expand its capability in delivering occupational health and safety programs and work injury management programs for corporations and case management companies. QHP will further expand its network in strategic locations both locally and in the region and will

continue to identify potential new areas of services to enhance its range of wellness offerings.

**LASIK & Ophthalmic Services:** The LASIK & Ophthalmic Centre continued to deliver a comprehensive range of medical eye consultations and screening programs as well as providing various ophthalmic surgeries in an out-patient setting including LASIK and cataract surgeries. The centre has participated in the Cataract Surgeries Program launched in February 2008 by the Hospital Authority, a public-private partnership to reduce the waiting time of patients for cataract surgery.

**Psychological Services:** Quality HealthCare Psychological Services experienced a steady growth in the number of corporate staff enrolments for its Employee Assistance Program in Hong Kong and Macau. In addition to providing counseling services, our psychologists have delivered a range of staff development seminars as well as providing critical incident debriefing sessions for crisis interventions of different corporations.

## CHAIRMAN'S STATEMENT

### Quality HealthCare Elderly Services ("QHES")

#### *Trusted Provider of Residential Elderly Care*

QHES reported revenue from sales to external customers of HK\$48.3 million for the first six months of 2008, an increase of 0.7% compared with HK\$48.0 million for the corresponding period last year as a result of an increase in service charges and an additional 80 bed places being bought by the Hong Kong government through the enhanced bought place scheme.

Operating profit declined by 27.1% to HK\$3.6 million for the first six months of 2008 from HK\$5.0 million for same period last year. Staff shortages and increases in manpower required to comply with the requirement of the enhanced bought place scheme have driven up salary costs, which together with rising rentals and food costs have presented significant challenges in maintaining operating margins.

Our marketing team continues to explore and develop different channels to promote our homes. We have also implemented various incentive programs for obtaining referrals to our services. We continue to conduct stringent quality assurance activities and regular facilities enhancement programs which sustain our competitiveness against other private operators in Hong Kong.

## 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. We believe that only by attracting, developing, and retaining engaged employees, can the Group create and deliver the right value to our shareholders, clients and people.

## CHAIRMAN'S STATEMENT

### OUTLOOK

Quality HealthCare strives to be the preferred health and wellness partner for the people of Hong Kong, providing them with comprehensive and integrated care benchmarked with quality. We also work closely with our corporate partners in enhancing employee productivity and wellbeing, and to be the partner of choice for insurance companies in the delivery and management of the health and wellness solutions to their clients. The impact of an aging population, the higher costs of technologically advanced methods of treatment and rising expectations of the population in regard to the application of these treatments are all expected to increase pressure of costs. This impact may also be exacerbated by any general inflationary trends in the Hong Kong economy. Quality HealthCare, with our extensive experience in the health care arena, our seasoned team members, and our continuous investment into our delivery system, is dedicated to delivering sustainable health and wellness solutions to our clients and to further expand in the region.

Quality HealthCare welcomes the consultation paper on health care reform and supplementary financing options launched by the government in March 2008. The first stage of consultation has just ended in June 2008 and further consultations will take place in 2009. Quality HealthCare will continue to participate actively in Legco and other forums on health care reform and regulation to raise the standard and governance of private community care.

On behalf of the Board

**Arthur George Dew**

*Chairman*

Hong Kong, 28 August 2008



# 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 17 to 37 which comprises the condensed consolidated balance sheet of Quality HealthCare Asia Limited as at 30 June 2008 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.

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

### 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

28 August 2008



# Your Needs Our Focus



## UNAUDITED INTERIM FINANCIAL INFORMATION

The Board of Directors (the “Board” or the “Directors”) of Quality HealthCare Asia Limited (the “Company”) herein presents the unaudited interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six-month period ended 30 June 2008, which comprises the condensed consolidated balance sheet as at 30 June 2008 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. This unaudited interim financial information has not been audited, but has been reviewed by the Company’s auditors and the Audit Committee.

# Interim Condensed Consolidated Income Statement – Unaudited

For the six months ended 30 June 2008

	Notes	For the six months ended 30 June	
		2008 HK\$'000	2007 HK\$'000
Revenue #	2	518,632	460,891
Other income and gains		7,685	9,629
Changes in inventories of finished goods and dispensary supplies consumed +		(26,744)	(20,746)
Employee benefits expense		(180,002)	(163,006)
Depreciation		(8,650)	(7,968)
Other expenses, net		(276,553)	(241,606)
Finance cost – interest on borrowings		(1)	(1)
Share of profits of:			
An associate		–	378
A jointly-controlled entity		–	78
<b>Profit before tax</b>	3	<b>34,367</b>	37,649
Tax	4	(5,097)	(5,778)
<b>Profit for the period attributable to equity holders of the Company</b>		<b>29,270</b>	31,871
Dividend	5	–	12,783
Earnings per share attributable to ordinary equity holders of the Company	6		
Basic		<b>12.3 cents</b>	13.4 cents
Diluted		–	13.4 cents

# Revenue is also the Group's turnover

+ Being the cost of inventories sold for the period

# Interim Condensed Consolidated Balance Sheet

30 June 2008

	Notes	30 June 2008 HK\$'000 (Unaudited)	31 December 2007 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	7	41,473	42,437
Goodwill		1,358	1,358
Interest in a jointly-controlled entity		497	352
Deposits for purchases of items of property, plant and equipment		179	597
<b>Total non-current assets</b>		<b>43,507</b>	<b>44,744</b>
<b>Current assets</b>			
Inventories		13,672	11,341
Accounts receivable	8	116,695	114,948
Prepayments, deposits and other receivables		31,040	28,523
Cash and bank balances		222,315	240,063
<b>Total current assets</b>		<b>383,722</b>	<b>394,875</b>
<b>Current liabilities</b>			
Accounts payable, other payables, accruals and deposits received	9	123,280	126,605
Deferred revenue		8,288	3,978
Hire purchase contract payable		5	5
Tax payable		5,151	483
<b>Total current liabilities</b>		<b>136,724</b>	<b>131,071</b>
<b>Net current assets</b>		<b>246,998</b>	<b>263,804</b>
<b>Total assets less current liabilities</b>		<b>290,505</b>	<b>308,548</b>
<b>Non-current liabilities</b>			
Hire purchase contract payable		1	3
Deferred tax liabilities		773	1,133
<b>Total non-current liabilities</b>		<b>774</b>	<b>1,136</b>
<b>Net assets</b>		<b>289,731</b>	<b>307,412</b>
<b>Equity attributable to equity holders of the Company</b>			
Issued capital		23,893	23,893
Reserves		265,838	236,568
Proposed dividends		–	46,951
<b>Total equity</b>		<b>289,731</b>	<b>307,412</b>

## Interim Condensed Consolidated Statement of Changes in Equity – Unaudited

For the six months ended 30 June 2008

	Share				Total equity HK\$'000
	Issued capital HK\$'000	premium account HK\$'000	Retained profits HK\$'000	Proposed dividends HK\$'000	
At 1 January 2007	21,038	35,650	130,035	51,969	238,692
Warrants exercised (Note)	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
At 1 January 2008	<b>23,893</b>	<b>103,034</b>	<b>133,534</b>	<b>46,951</b>	<b>307,412</b>
Final and special 2007 dividends declared	–	–	–	(46,951)	(46,951)
Profit for the period	–	–	29,270	–	29,270
At 30 June 2008	<b>23,893</b>	<b>103,034*</b>	<b>162,804*</b>	–	<b>289,731</b>

\* These reserve accounts comprise the consolidated reserves of HK\$265,838,000 in the interim condensed consolidated balance sheet.

Note:

During the six months ended 30 June 2007, 28,552,521 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. The subscription rights attaching to the remaining warrants lapsed on 12 January 2007.

## Interim Condensed Consolidated Cash Flow Statement – Unaudited

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 HK\$'000	2007 HK\$'000
Net cash inflow from operating activities	34,312	25,408
Net cash outflow from investing activities	(5,107)	(5,413)
Net cash inflow/(outflow) from financing activities	(46,953)	18,268
Net increase/(decrease) in cash and cash equivalents	(17,748)	38,263
Cash and cash equivalents at beginning of period	240,063	177,283
Cash and cash equivalents at end of period	222,315	215,546
Analysis of balances of cash and cash equivalents		
Cash and bank balances	222,315	215,546

# Notes to Unaudited Interim Financial Information

30 June 2008

## 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, of Quality HealthCare Asia Limited which comprises the condensed consolidated balance sheet as at 30 June 2008, 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 (the “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 2007.

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 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 2007, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include HKASs and Interpretations) issued by the HKICPA for the first time for the current period's unaudited interim financial information:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these new 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 is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application 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.



## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

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

*Significant accounting policies (continued)*

HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> <sup>1</sup>
HKFRS 3 (Revised)	<i>Business Combinations</i> <sup>2</sup>
HKFRS 8	<i>Operating Segments</i> <sup>1</sup>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> <sup>1</sup>
HKAS 23 (Revised)	<i>Borrowing Costs</i> <sup>1</sup>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> <sup>2</sup>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> <sup>1</sup>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 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:

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Medical services	<b>423,307</b>	370,221
Nursing agency, physiotherapy, dental and other services	<b>47,018</b>	42,712
Elderly care services	<b>48,307</b>	47,958
	<b>518,632</b>	460,891

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 2. Revenue and segment information (continued)

#### *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 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 2008

### 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 2008 and 2007.

	For the six months ended 30 June											
	Medical services		Nursing agency, physio, dental and other services		Elderly care services		Corporate and other		Eliminations		Consolidated	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Segment revenue:												
Sales to external customers	423,307	370,221	47,018	42,712	48,307	47,958	-	-	-	-	518,632	460,891
Intersegment sales*	703	180	11,923	8,429	2,543	2,897	9	33	(15,178)	(11,539)	-	-
Other income and gains <sup>†</sup>	4,405	4,182	502	306	188	301	420	420	-	-	5,515	5,189
<b>Total</b>	<b>428,415</b>	<b>374,583</b>	<b>59,443</b>	<b>51,447</b>	<b>51,038</b>	<b>51,156</b>	<b>429</b>	<b>453</b>	<b>(15,178)</b>	<b>(11,539)</b>	<b>524,147</b>	<b>466,080</b>
Segment results	23,184	29,280	3,607	3,209	3,612	4,955	(4,205)	(4,690)	-	-	32,198	32,754
Unallocated interest and dividend income											2,170	4,440
Finance cost – interest on borrowings											(1)	(1)
Share of profits of:												
An associate	-	378	-	-	-	-	-	-	-	-	-	378
A jointly-controlled entity	-	78	-	-	-	-	-	-	-	-	-	78
Profit before tax											34,367	37,649
Tax											(5,097)	(5,778)
Profit for the period attributable to equity holders of the Company											29,270	31,871

\* These figures are not included in revenue mentioned elsewhere in the unaudited interim financial information.

<sup>†</sup> Excluding unallocated interest and dividend income.

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

## 3. Profit before tax

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

	For the six months ended 30 June	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold and dispensary supplies consumed and cost of services provided	438,559	378,316
Loss/(gain) on disposal/write-off of items of property, plant and equipment, net	9	(347)
Bank interest income	(1,945)	(4,440)
Dividend income from available-for-sale investments	(225)	–
Impairment of accounts receivable	1,963	–

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 4. Tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Current – Hong Kong		
Charge for the period	5,457	5,778
Deferred	(360)	–
	<b>5,097</b>	5,778

### 5. Dividend

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008. An interim dividend of HK5.35 cents per ordinary share of the Company was paid in respect of the six months ended 30 June 2007.

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 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\$29,270,000 (six months ended 30 June 2007: HK\$31,871,000), and the weighted average number of 238,937,348 (six months ended 30 June 2007: 237,075,754) ordinary shares in issue during the period.

No diluted earnings per share is presented for the six months ended 30 June 2008, as the Company had no potential ordinary shares outstanding during this period.

The calculation of the diluted earnings per share amount for the six months ended 30 June 2007 is based on the profit for the period attributable to ordinary equity holders of the Company of HK\$31,871,000. The weighted average number of ordinary shares used in the calculation is the 237,075,754 ordinary shares in issue during that period, as used in the basic earnings per share calculation and the weighted average number of 622,431 ordinary shares assumed to have been issued at no 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 2008 was HK\$7,695,000 (six months ended 30 June 2007: HK\$8,731,000) which mainly represented costs incurred in leasehold improvements and medical equipment. The net book value of disposals and write-offs of property, plant and equipment during the six months ended 30 June 2008 was HK\$9,000 (six months ended 30 June 2007: HK\$1,129,000) which mainly represented disposals and write-offs of leasehold improvements and medical equipment.

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 8. Accounts receivable

The Group generally allows an average general credit period of 30 days to its business-related customers. The Group has a credit policy in place, and exposures are monitored and overdue balances are reviewed by senior management 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:

	<b>30 June 2008 HK\$'000 (Unaudited)</b>	31 December 2007 HK\$'000 (Audited)
Current to 90 days	<b>104,913</b>	107,898
91 to 180 days	<b>8,399</b>	4,902
181 to 365 days	<b>2,960</b>	2,148
Over 365 days	<b>423</b>	–
	<b>116,695</b>	114,948



## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

## 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:

	<b>30 June 2008 HK\$'000 (Unaudited)</b>	31 December 2007 HK\$'000 (Audited)
Accounts payable:		
Current to 90 days	23,490	20,565
91 to 180 days	322	24
	<b>23,812</b>	20,589
Other payables, accruals and deposits received	<b>99,468</b>	106,016
	<b>123,280</b>	126,605

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

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 10. Contingent liabilities

As at 30 June 2008, the Group was engaged in certain litigation and claims which have not been disclosed in detail, 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 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2008 HK\$'000 (Unaudited)</b>	31 December 2007 HK\$'000 (Audited)
Within one year	<b>106</b>	106
In the second to fifth years, inclusive	<b>41</b>	94
	<b>147</b>	200

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

## 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 1 to 5.5 years.

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2008 HK\$'000 (Unaudited)</b>	31 December 2007 HK\$'000 (Audited)
Within one year	68,996	70,215
In the second to fifth years, inclusive	65,628	78,974
After five years	1,011	1,168
	<b>135,635</b>	150,357

## 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:

	<b>30 June 2008 HK\$'000 (Unaudited)</b>	31 December 2007 HK\$'000 (Audited)
Contracted, but not provided for:		
Purchases of property, plant and equipment	643	534

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 13. Related party transactions

- (a) In addition to the transactions, arrangements 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	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Transactions with indirectly wholly-owned subsidiaries of Sun Hung Kai & Co. Limited ("SHK"), an intermediate holding company of the Company which became a fellow subsidiary of the Company during the current period:		
Insurance premiums charged by a subsidiary of SHK	3,546	4,247
Corporate secretarial services fees charged by a subsidiary of SHK	623	726
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	933	1,981
Sale of medicines to a jointly-controlled entity	152	146
Transactions with an associate, which was disposed of during the year ended 31 December 2007:		
Medical service fee charged by an associate	–	567
Management fee charged to an associate	–	120

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 13. Related party transactions (continued)

The Group had granted a credit facility to an associate to the extent of HK\$1,000,000 at 30 June 2007 which was not utilised by the associate. The amount drawn down under the credit facility should bear interest at the Hong Kong Dollar Prime Lending Rate quoted by the Hongkong and Shanghai Banking Corporation and the credit facility was secured by personal guarantees provided by certain directors of the associate. During the prior year, the guarantee was released upon the disposal of the associate.

#### (b) Outstanding balances with related parties

- (i) Included in the Group's accounts payable, other payables, accruals and deposits received at 30 June 2008 are outstanding balances with Allied Group Limited ("Allied Group"), the ultimate holding company, of HK\$360,000 (31 December 2007: HK\$430,000) and with SHK and its wholly-owned subsidiaries totalling HK\$300,000 (31 December 2007: HK\$291,000).
- (ii) Included in the Group's interest in a jointly-controlled entity at 30 June 2008 was an amount due to a jointly-controlled entity of HK\$22,000 (31 December 2007: HK\$167,000).

## Notes to Unaudited Interim Financial Information (continued)

30 June 2008

### 13. Related party transactions (continued)

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Short term employee benefits*	2,825	3,390
Post-employment benefits	6	12
Total compensation paid to key management personnel	2,831	3,402

\* Certain key management personnel of the Group received remuneration from Allied Group for the provision of management, consultancy, strategic and business advice services to the Group for a term of three years commencing from 1 January 2008, which amounted to HK\$720,000 (six months ended 30 June 2007: Nil). Further details of this arrangement were set out in an announcement of the Company dated 1 February 2008.

Included in the balance for the six months ended 30 June 2007 was an amount charged by Allied Group for the reimbursement of a portion of the salary paid to Mr. Arthur George Dew, Chairman of the Company of HK\$300,000. Further details of this arrangement were set out in a joint announcement issued by the Company and Allied Group dated 2 March 2007.

### 14. Approval of the unaudited interim financial information

This unaudited interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 28 August 2008.

# Management Discussion and Analysis

## FINANCIAL RESOURCES AND LIQUIDITY

As at 30 June 2008, the equity attributable to equity holders of the Company amounted to HK\$289.7 million, representing a decrease of HK\$17.7 million from that of 31 December 2007. The decrease was mainly due to the declaration and payment of the 2007 final and special dividends. The Group's cash and bank balances amounted to HK\$222.3 million (31 December 2007: HK\$240.1 million). It is the Group's objective to ensure that 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 2008, the only outstanding borrowing was an obligation under a hire purchase contract of approximately HK\$6,000 (31 December 2007: HK\$8,000).

Since the Group was in a positive net cash position (cash and bank balances available were in excess of borrowings), the gearing ratio comparing net debt (borrowings net of cash and bank balances available) to equity was not applicable at 30 June 2008 and 31 December 2007.

## 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 of 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.

## Management Discussion and Analysis (continued)

### CURRENCY AND FINANCIAL RISK MANAGEMENT (continued)

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

At 30 June 2008, the Group had property, plant and equipment with a net book value of approximately HK\$5,000 (31 December 2007: HK\$7,000) held under a hire purchase contract.

### CONTINGENT LIABILITIES

Details regarding the contingent liabilities of the Group at 30 June 2008 are set out in note 10 to the Group's unaudited interim financial information.

### 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

At 30 June 2008, the total number of employees was approximately 1,080. Total staff costs amounted to approximately HK\$180.0 million (six months ended 30 June 2007: HK\$163.0 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.



## Interim Dividend

The Board has resolved not to recommend an interim dividend for the six months ended 30 June 2008 (2007: HK5.35 cents per ordinary share).

## 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, nor were there any options outstanding under the Share Incentive Plan during the six months ended 30 June 2008.

## Directors' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2008, 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	Notes
Dr. Lincoln Chee Wang Jin	Allied Group Limited ("Allied Group")	Personal	88,000	0.04%	1
	Allied Properties (H.K.) Limited ("Allied Properties")	Personal	2,624,000	0.05%	2
	Sun Hung Kai & Co. Limited ("SHK")	Personal	358,000	0.02%	3
Mark Wong Tai Chun	Company	Personal	119,203	0.05%	4

## Directors' Interests and Short Positions in Shares and Underlying Shares (continued)

### Notes:

1. This represents an interest in 88,000 shares of Allied Group, the ultimate holding company of the Company.
2. This represents an interest in 2,624,000 shares of Allied Properties, the intermediate holding company of the Company.
3. This represents an interest in 300,000 shares of SHK and 58,000 underlying shares attached to the physically-settled listed warrants of SHK, a fellow subsidiary of the Company.
4. This represents an interest in 119,203 shares of the Company.
5. All interests stated above represent long positions. As at 30 June 2008, no short positions were recorded in the Register of Directors' Interests.

Save as disclosed above, as at 30 June 2008, neither the Directors nor the chief executive of the Company had any interests or short positions in the 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 2008, 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:

<b>Name of substantial shareholders</b>	<b>Nature of interest</b>	<b>Number of shares held</b>	<b>Approximate percentage of the issued share capital</b>	<b>Notes</b>
Famestep Investments Limited ("Famestep")	Interest of controlled corporation	122,213,776	51.14%	1
Allied Properties	Interest of controlled corporation	122,213,776	51.14%	2
Allied Group	Interest of controlled corporation	122,213,776	51.14%	3
Lee and Lee Trust ("LL Trust")	Interest of controlled corporation	122,213,776	51.14%	4
Katong Assets Limited ("Katong")	Beneficial owner	16,751,648	7.01%	5
Lin Xu Ming	Interest of controlled corporation	16,751,648	7.01%	6

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

### 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 Famestep. Famestep was therefore deemed, by virtue of the SFO, to have an interest in the shares in which Wah Cheong was interested.
2. Allied Properties, owned 100% interest in the issued share capital of Famestep and was therefore deemed, by virtue of the SFO, to have an interest in the shares in which Famestep was interested.
3. Allied Group owned approximately 73.77% 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 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 43.33% 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 in which Allied Group was interested.
5. This represents an interest in 16,751,648 shares of the Company held by Katong.
6. Mr. Lin Xu Ming owned 100% interest in the share capital of Katong and was therefore deemed, by virtue of the SFO, to have an interest in the shares in which Katong was interested.
7. All interests stated above represent long positions. As at 30 June 2008, no short positions were recorded in the Register of Substantial Shareholders' Interests.

Save as disclosed above, as at 30 June 2008, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares of equity derivatives or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company pursuant to the Part XV of the SFO.

# Corporate Governance

## CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2008, 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 (the “Listing Rules”) 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 Executive Directors only and not senior management (as opposed to Executive 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 2007. 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 2008.

## 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 information for the six months ended 30 June 2008. 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)  
(於百慕達註冊成立之有限公司)

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