

*The Medical Standards and  
professional standards of doctors  
including continuing medical education  
and patient management g  
clinical audit, peer review  
work also includes over  
patient confidentiality  
compliance with all the  
Hong Kong government  
medical best practice*

# the professionalism of our people

A team of nearly 900 healthcare professionals, experts in their field, and monitored by their peers, provides international standards of practice and ethics, backed by world-class systems and support services.



At Quality HealthCare we have continued to set benchmarks for international standards.

## Operational Review

Medical Care

Corporate Care

Dental

Physiotherapy

Nursing and HomeCare

Elderly Care

Chinese Medicine

ehealthcareasia

During the year we acquired additional elderly care beds in a competitive market, opened new medical clinics to broaden our reach and service delivery, and secured a number of new long term integrated healthcare contracts with several of Hong Kong's leading companies. All these initiatives were costly in 2000, but will help us build long term, sustainable revenue in the future.

The Group comprises four core business divisions - Medical Services, covering our primary care capability; Services with Dental Physiotherapy Nursing and, now, Chinese Medicine; Elderly Care and its elderly care homes; plus EHA's 'Clearing House' services for healthcare professionals, insurance and other related businesses.

340 doctors

264 medical centres

1450 corporate contracts

140000 consultations per month

550000 customers

12 physiotherapy, footcare, work injury centres

23 chinese medicine clinics

32 dental clinics

1993 elderly care beds  
+ 221 acquisition in progress



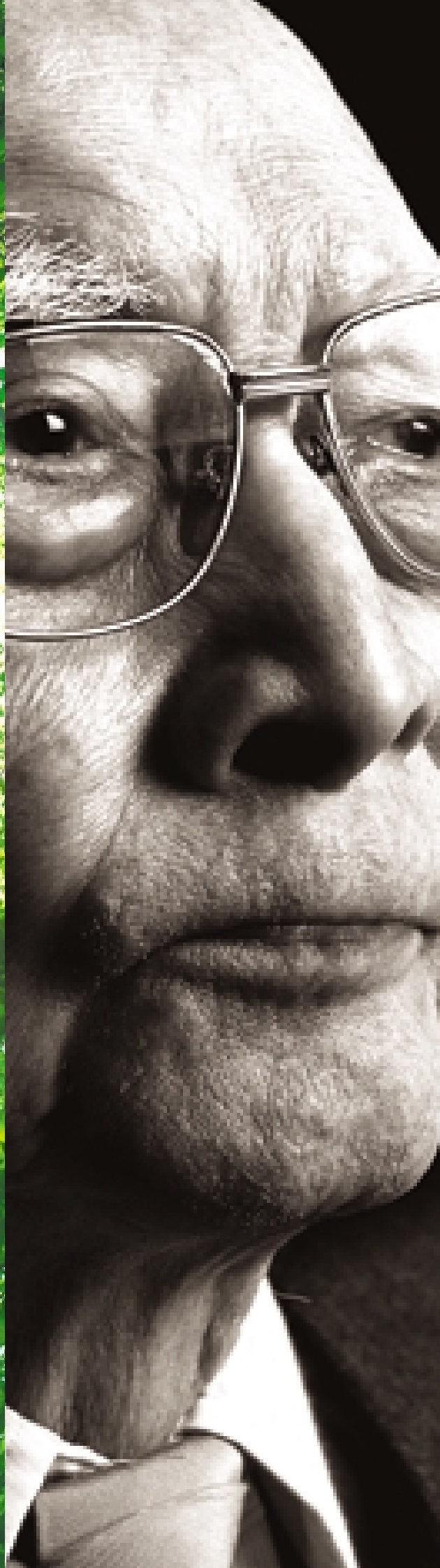
Everything grows from the smallest beginning. We are growing with our customers, our services are growing to meet their needs, and the Company is growing to produce shareholder value.

# growth

you can depend on

As our customers grow, from babies to teenagers, from parenthood to old age, we develop a lifelong partnership, helping them stay healthy as they progress smoothly through life.





# Quality HealthCare Medical Services 'QHMS'

This division now manages the medical care for over 1,450 Hong Kong companies and their 450,000 employees, the Group thereby caring, with its private patients and other Divisions, for well over half a million Hong Kong people.

In the first half of the year, the company opened its Tung Chung Medical Centre, the fifth of Quality HealthCare's multi-service centres, providing dental and medical care on the same site. The other centres, which incorporate this combination, some with the addition of physiotherapy, are in Tsim Sha Tsui, Tsing Yi, Shatin and Central.

The outsourcing of administration and processing to the Group's subsidiary, ehealthcareasia, was a massive exercise that resulted in duplicate costs being carried for the transitional, parallel-system period. This task has been substantially completed and has enabled QHMS to reduce its administrative headcount by some 78 people. This now allows QHMS to concentrate on marketing and service provision going forward.



Although recording a 40% increase in turnover to approximately HK\$538 million (1999: HK\$384 million), the profits from the Medical Services Division reduced to HK\$36 million from HK\$45 million in the prior year. This was due to a combination, directly and indirectly, of outsourcing the 'back office' operations addressed above and the difficulty in increasing charges, given the lingering recessionary/deflationary economy in Hong Kong.

In a competitive market that continued to be affected by the Asian recession, we maintained our share of corporate care contracts in Hong Kong. Significant wins during 2000 included Cathay Pacific's 'Total Integrated Health Care' programme.

In 2001, the Division's results are expected to show significant improvement as a result of:

- the recent reduction in staff as set out above;
- the ability, as a result of outsourcing, to better focus on service delivery and marketing;
- focusing our review of corporate care contracts to streamline/simplify those which have evolved over many years and to rationalise non-profitable accounts.
- the realisation of cost reduction programmes and efficiency measures

Looking ahead, QHMS will concentrate on increasing utilisation rates across all of its service areas, while continuing to build greater brand visibility and presence.

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During the year, QHMS introduced its Pro-Health programme. As well as the benefits we can bring in helping client employees and others in the community to strive for better health, this initiative continues to raise Quality HealthCare's profile and to build the brand in Hong Kong. In its current form, this initiative is not designed as an earnings creating venture, but does complement our service to corporate and other customers, and Government initiatives, to expand health awareness in the community.

The Medical Standards & Compliance Committee, made up entirely of senior doctors from the core medical practice businesses of Drs Anderson & Partners, Dr Henry Lee & Associates, the Allied Medical Practices Guild, and Discovery Bay Medical Centre, continues to ensure the practitioners in our network strive for consistently higher standards of delivery and apply best practices.

doctors



## Quality HealthCare Services ‘QHS’

QHS incorporates the four sub-divisions of Dental  
Physiotherapy Nursing and, in 2001, Chinese Medicine.

Turnover for this Division increased by 24% to  
HK\$57 million (1999: HK\$46 million), with the profit  
level showing a decrease of HK\$0.9 million.

This largely was attributable to costs involved in  
expanding our clinic network. The Division has four  
additional wholly-owned clinics compared to the same  
time last year, and has also branched into FootCare  
services and opened a new Work Injury Centre.  
Utilisation of appointment times in both Physiotherapy

**QHS incorporates the  
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Dental Physiotherapy  
Nursing and, in 2001,  
Chinese Medicine.**

and Dental services is improving steadily and, at the  
same time, a number of new corporate care contracts  
were signed during the period.

During 2000, the Physiotherapy operation expanded  
its network to its existing total of 12 outlets and  
Dental operations now have 32 outlets, of which 26  
are affiliates.

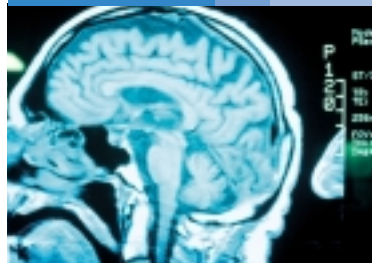
## physiotherapy, footcare, work injury centres

The Work Injury Centre, which opened in April 2000, provides injury assessment facilities and treatment services. It also enables corporations to comply with Government guidelines, introduced in 1998, on the employment of manual workers. These guidelines are progressively being applied and enforced by Government.

In July, QHS opened its first FootCare clinic in Hong Kong. With top-of-the-line equipment from the US and Europe, the FootCare Centre provides neurological and vascular assessments. In October 2000, the Centre added a new orthotics laboratory.

Our Chinese Medicine affiliate network, set up in January 2000, has grown to 23 clinics and has started to service contract business obtained through various channels including one prime insurance company, with others considering the rollout of additional plans.

In October, we announced an initiative with Eu Yan Sang International Limited to operate a first start-up clinic in Hong Kong. This venture continues the Group aim to set new standards and benchmarks for the Chinese Medicine industry, and to be recognised by corporate health programmes and insurance companies in the Asia Pacific region.



## chinese medicine clinics

# Quality HealthCare Elderly Services 'QHES'

Since the interim results, our Elderly Services Division has expanded further. New homes were purchased in November in Prince Edward Road and Tuen Mun. These complement the Winfield and Ka Wo homes, which joined the network in the first half of the year, together with the opening in the summer of our Man Kee home.

We also signed agreements to acquire a further Tuen Mun home (acquisition completed in January 2001) and the Kwan Yick home (in process).



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Our network has grown from 1,296 elderly care beds at this time last year to the present 1,993. A further 221 beds are under purchase arrangement at the present time.

Revenues in QHES increased by over 240%, to HK\$66 million (1999: HK\$19 million), largely due to the acquisition of new homes. However, the completion of these acquisitions did not occur sufficiently early in the year to allow the benefits to be reflected in the reported operating results. This, coupled with the opening of the start-up Man Kee Home in the early summer, resulted in a loss of HK\$10.1 million (1999: a re-stated loss of HK\$16.2 million) being reported for the year.

Although Hong Kong's elderly care market stays competitive, our occupancy levels remain ahead of the market average and show increasing growth in the early months of 2001.

Quality HealthCare welcomes the more stringent approach being adopted by the Hong Kong SAR Government's Social Welfare Department in regulating the operation of elderly care homes in Hong Kong. In particular, we support the disciplinary action taken against those operators who have neither tried nor succeeded to achieve licensing standards.

As we highlighted in our interim report, QHES continues to explore ways to co-operate with the SAR Government to provide the much needed innovative and relevant care for Hong Kong's elderly. An initial 187 elderly care beds are now being purchased from us by Government, under the 'Enhanced Bought Places Scheme', and we look forward to a time when we can care for more of Hong Kong's elderly who rely on public support.

Achieving occupancy targets and the critical mass of occupied beds will result in the elderly care business being at breakeven or a profit contributor to the Group before the end of 2001.

elderly care beds

## ehealthcareasia Limited 'EHA'

EHA, our 60.5%-owned subsidiary, is now firmly established and is gaining recognition as the 'Clearing House' for healthcare transactions in Asia. That recognition has been reinforced through working cooperations such as the agreement signed with iBusiness Corporation (primarily owned by Cheung Kong, Hutchison Whampoa, HSBC and Hang Seng Bank and Excel Technology International), and others, early in 2001.

Benefiting from a higher profile through its Hong Kong Stock Exchange main board listing in June 2000, the company's success is due to a clear focus on assisting healthcare professionals and others in the healthcare transaction circle.

### **EHA's proprietary LEON chit-processing system already helps doctors.**

Offering significant efficiencies to users, EHA's proprietary LEON chit-processing system, and other support functions, are already helping 670 Hong Kong doctors take their first steps into outsourced and online processing of transactions. This number is expected to increase to at least 1,600 in 2001.

EHA has progressed from a standing start to being the market leader as the 'Clearing House' for healthcare industry transactions in Hong Kong. The Australian businesses are highly active, Taiwan is already operational, and the Singapore service will become active in the next few months. EHA is now, after only a year of operations, a solid business with real

Australian doctors

## Hong Kong doctors processing by year end

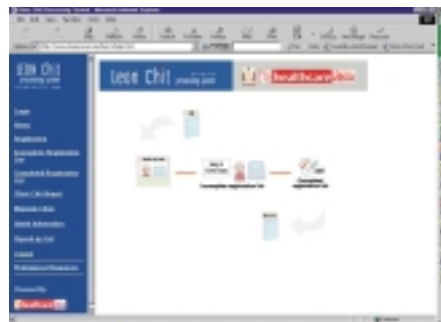
cashflows and significant future prospects. Under the management of Sam Abunassar, EHA has made remarkable progress in a very short time, against very difficult market conditions and perceptions.

During the year under review, EHA expanded its operations into Australia, Taiwan and Singapore. As other elements of the EHA formula come on stream, and the regional expansion programme develops, the company will continue to fulfil its objective of 'leading healthcare evolution in Asia'.

Our Singapore operation is due to start processing in the coming months; in Taiwan, the company is focused initially on assisting healthcare insurance companies, and in Australia, EHA clinic management systems are already used by more than 5,600 doctors.

A significant portion of EHA's loss was attributable to the need for substantial initial staff numbers and computer systems development work. However, as systems competence continues to accelerate, capacity is continually enhanced, and staff ratios to contributions will rapidly diminish.

**EHA will continue to fulfil its objective of 'leading healthcare evolution in Asia'.**



**EHA is today recognised in Hong Kong as the leader in its core activities - eligibility checking, claims and transaction processing for healthcare professionals.**

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During the year, the Group announced the following acquisitions and disposals, relating to EHA:

- acquisition of control of Kin Wing Chinney Holdings Limited (“Kin Wing Chinney”), a company listed on The Stock Exchange of Hong Kong Limited, later renamed EHA.
- the sale of Quality HealthCare Technologies & Services, including its subsidiaries, to EHA.
- acquisitions of the business assets of Software Associates, International Research and eQuality Group, MedSeed Pty Limited and MedWeb Limited, in Australia.
- acquisition of the Hong Kong business HealthBasic.com Limited.
- placing of 130 million EHA shares.

After only one year of operation, EHA has established itself as the leader in its field in Asia, has created a real business and positioned itself to significantly improve its performance in its year ending March 2002.



## PERSONNEL

880 of the Group's total staff work with the core Quality HealthCare businesses. The growth is primarily attributable to the Elderly Services operations, which took on an additional 160 staff to support its 697 new beds and anticipated occupancy increases. The Medical Services team, meanwhile, was reduced by 78 staff, due to the outsourcing to EHA.

EHA's team peaked at 250 internationally, covering the Hong Kong, Singapore, Taiwan and Australian operations. The company was in start-up mode at the same time last year, with only 20 staff. The 140-strong Hong Kong team is already consolidating and, as EHA technology competence increases, the team size will diminish further.

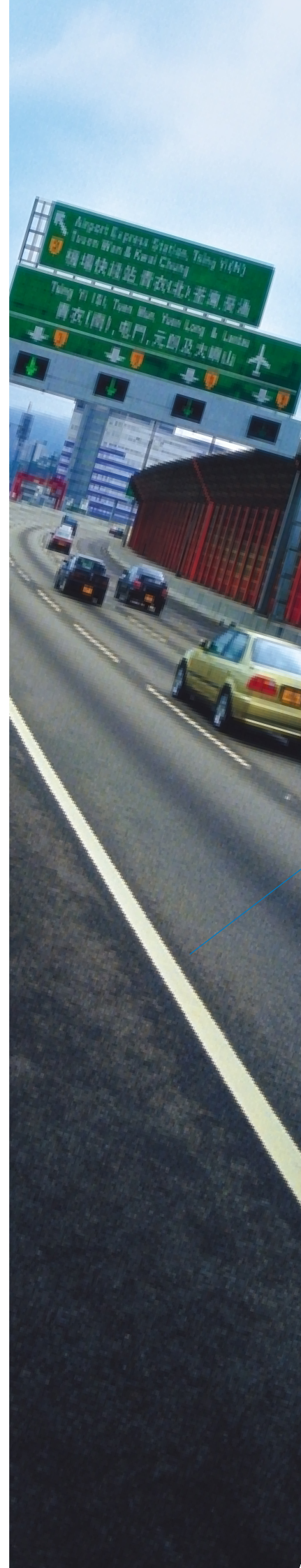
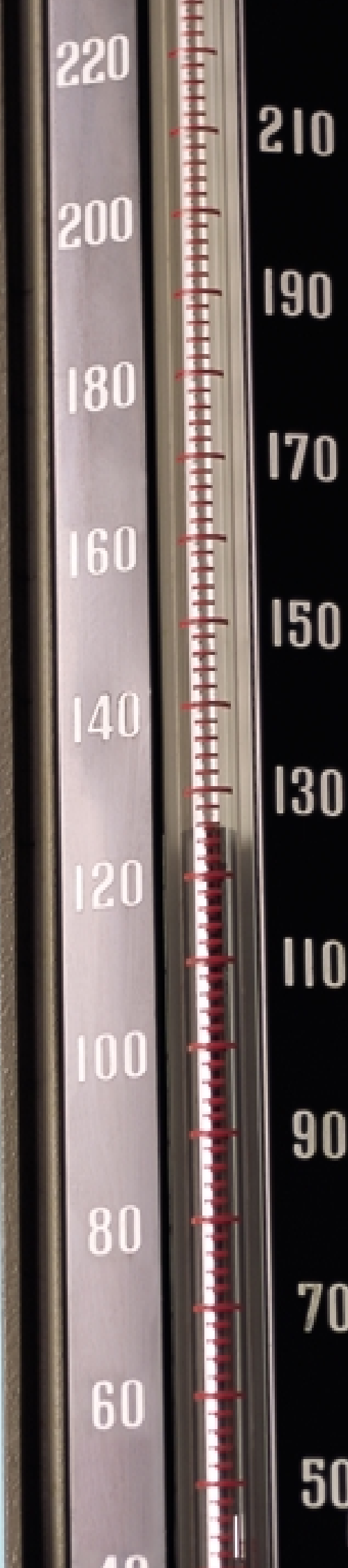
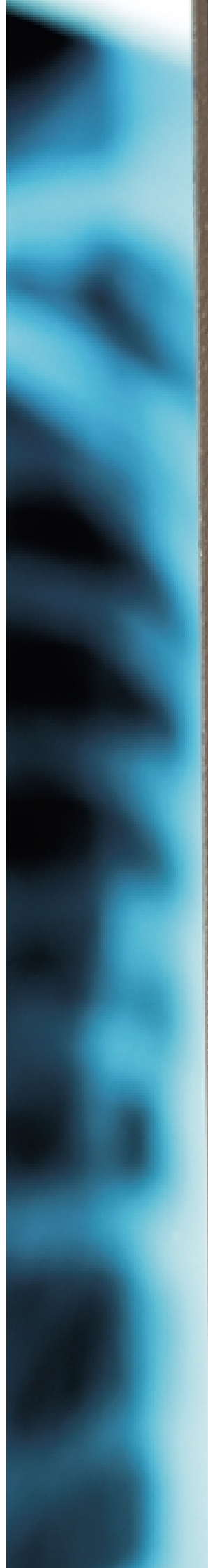
It is the professionals who offer expert medical care, our other carers, the receptionists and cashiers, the administration and the marketing teams, and the many others who wear the Quality HealthCare uniform

or work below the 'Blue Q' logo, that have created the 'Quality HealthCare' brand. That brand has become clearly associated with the delivery of best practice and quality standards. It is to the warmth and dedication of our care delivery teams that the Group owes its strong identity.

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corporate contracts







A single footprint marked the start of our journey just three years ago. Today, Quality HealthCare provides the most comprehensive healthcare services and the widest coverage in Hong Kong's private sector.

# we reach the community

From East to West, day and night, an extensive SAR-wide network of over 340 medical and healthcare related service centres ensures that we are always accessible and ready. Hong Kong remains our near term focus, and represents our launch pad for future regionwide opportunities.