

Liquidity and Financial Resources

Debt and Gearing

As at 30 June 2001, the Group's bank and other borrowings amounted to approximately HK\$475 million (31 December 2000: HK\$599 million). The reduction was principally as a result of the disposal of the ground engineering and building construction businesses.

Foreign Exchange Exposure

The Group's income and expenditure streams are mainly denominated in Hong Kong dollars, with limited/controlled exposure in Australian, Taiwanese and Singaporean dollars. Borrowings in the form of letters of credit, overdrafts and short term revolving loans are mainly denominated in Hong Kong dollars and bear interest at floating rates.

Charge on Group Assets

The Group has pledged certain receivables and rights under medical services contracts, a leasehold property and a property for sale for certain banking facilities.

Management and Staff

As at 30 June 2001, the Group had about 1,100 employees (2000: 900). The staffing structure is under constant review as the shape of the Group develops. Remuneration packages are calculated at market rates, with share options offered at the discretion of the board of directors. All directors' remuneration and option packages must first be recommended by the Remuneration Committee which is comprised of independent non-executive directors.

Audit Committee

The Group has an Audit Committee composed of independent non-executive directors, Messrs. Cheng Mo Chi, Moses OBE, JP, Ronald Carstairs and Ian Strachan OBE. The Committee reviews the internal controls and audit related matters, together with the interim and annual reports of the Group.

Directors' Interests in Securities

As at 30 June 2001, the interests of the directors and their associates in the securities of the Company or any of its associated corporations, within the meaning of the Securities (Disclosure of Interests) Ordinance (the “SDI Ordinance”), as recorded in the register maintained by the Company pursuant to section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

Name of Company	Name of director	Nature of interests	Number of securities
Quality HealthCare Asia Limited (“QHA”)	Brian O’Connor	Corporate (Note 1)	196,806,375 shares
		Family (Note 2)	255,384,184 shares
		Personal	17,750,000 share options (Note 3)
	Philip Kirkwood	Personal	2,000,000 shares
		Personal	2,100,000 share options (Note 3)
	Wong Tai Chun, Mark	Personal	500,400 shares
		Personal	2,800,000 share options (Note 3)
	Wong Chi Kit, Nelson	Personal	23,890,029 shares
			3,000,000 share options (Note 3)

Name of Company	Name of director	Nature of interests	Number of securities
ehealthcareasia Limited ("EHA")	Brian O'Connor	Personal	177,862,500 shares
		Corporate (Note 1)	1,520,303 shares
		Family (Note 2)	7,929,898 shares
	Philip Kirkwood	Personal	19,862,500 shares
	Wong Tai Chun, Mark	Personal	7,477,770 shares
	Wong Chi Kit, Nelson	Personal	40,761,500 shares

Notes:

1. These shares are beneficially owned by Cherish Enterprises Limited ("Cherish"), a company incorporated in the British Virgin Islands, which is owned as to 50% by Montel Limited ("Montel"), also a company incorporated in the British Virgin Islands, which is in turn the trustee of a trust of which the family of Mr. Brian O'Connor, a director, is the beneficiary.
2. Montel owns 58,577,809 QHA shares and 6,409,595 EHA shares. In addition, Montel owns 50% of Cherish, which owns 196,806,375 QHA shares and 1,520,303 EHA shares. Montel is the trustee of a trust of which the family of Mr. Brian O'Connor is the beneficiary.

3. These share options were granted under the QHA's share option scheme adopted on 5 July 1993 (the "Scheme"). Details of the share options granted to the directors under the Scheme at 30 June 2001 were as follows:

Name of director	Number of shares under the share options	Date granted	Exercisable period (both dates inclusive)	Exercise price of share options HK\$
Brian O'Connor	10,000,000	20/1/1998	3/8/1998-2/8/2001	0.47
	375,000	19/11/1998	19/11/1999-18/5/2002	0.66
	375,000	19/11/1998	19/11/2000-18/5/2002	0.66
	1,500,000	19/4/1999	3/5/2000-2/11/2002	0.87
	1,500,000	19/4/1999	3/5/2001-2/11/2002	0.87
	4,000,000	8/11/1999	15/5/2000-14/5/2003	1.28
Philip Kirkwood	300,000	19/11/1998	19/11/1999-18/5/2002	0.66
	300,000	19/11/1998	19/11/2000-18/5/2002	0.66
	500,000	19/4/1999	27/4/2000-26/10/2002	0.87
	500,000	19/4/1999	27/4/2001-26/10/2002	0.87
	500,000	1/11/1999	2/5/2000-1/5/2003	1.19
Wong Tai Chun, Mark	150,000	19/11/1998	20/11/2000-19/5/2002	0.66
	200,000	19/4/1999	26/4/2000-25/10/2002	0.87
	200,000	19/4/1999	26/4/2001-25/10/2002	0.87
	375,000	21/2/2000	24/2/2001-4/7/2003	2.90
	375,000	21/2/2000	24/2/2002-4/7/2003	2.90
	750,000	10/6/2000	14/6/2001-4/7/2003	2.30
	750,000	10/6/2000	14/6/2002-4/7/2003	2.30
Wong Chi Kit, Nelson	3,000,000	3/8/2000	7/2/2001-4/7/2003	2.05

During the six month period ended 30 June 2001, no share options were granted to and/or exercised by the directors of the Company.

Save as disclosed above, as at 30 June 2001, none of the directors and chief executives of the Company, or any of their associates, had any personal, family, corporate or other interests in any securities of the Company or any of its associated corporations, within the meaning of the SDI Ordinance, and none of the directors, nor any of their spouse or children under the age of 18, had any rights to subscribe for securities of the Company, or had exercised any such rights during the period.

Substantial Shareholders

Save for the interests of Cherish and Montel disclosed in the above section headed “Directors Interests in Securities”, the Company has not been notified pursuant to section 16(1) of the SDI Ordinance of any other interests representing 10% or more of the issued share capital of the Company.

Purchases, Sales or Redemptions of Shares

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

Compliance with the Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six month period ended 30 June 2001, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

By Order of the Board

LAM Hon Yiu, Leo

Company Secretary

Hong Kong, 25 September 2001