Brian O'Connor, Chairman

The restructuring of Quality HealthCare is complete, and with this difficult period behind us, I share every stakeholder's wish to see the Company move forward and flourish.

Restored Health - Objectives Achieved

In 2001, Quality HealthCare achieved a 13.7% growth in turnover and a 16.3% rise in profits from our core healthcare businesses. These are very satisfactory results in the recessionary climate that prevailed, and at this stage of our development I believe that the work we have done has positioned the Group well for future growth in a healthcare sector that is, itself, poised for reform.

The significant changes in the economy over the past few years demanded exhaustive re-engineering of our operations, and we set three objectives to drive us through that period of change. They were to reduce debt, to resolve difficulties at ehealthcareasia (EHA), and to grow our core businesses. The objectives have all been achieved.

With the completion of the cost reduction and disposal programme in EHA and recent announcement that the Group has received approaches from third parties to acquire our stake in EHA, and with debt reduced to an acceptable level, we are now able to concentrate on the future growth of our core businesses.

At Quality HealthCare, professionalism and individual patient care are, and will always be, our top priority. These responsibilities are governed by our Medical Standards and Compliance Committee, and this forms the bedrock of our values. The immediate focus of corporate management in the year 2002, meanwhile, will be upon improving efficiency and profitability.

Quality HealthCare is just four years old, but its roots go back to the origins of Drs. Anderson & Partners in 1868, and our nursing practice is among the longest established and most respected in Asia. This combination of the best from both the old and the new is a guiding characteristic of the Group. It is this unique set of qualities that has inspired the visual theme of our 2001 Annual Report, and upon which our future growth will be achieved.

Financial Review

The results for 2001 reflect the significant changes that have been achieved at Quality HealthCare. Group turnover for the year 2001 amounted to HK$1,102.7 million, as compared to HK$1,107.3 million for the prior year. Turnover from continuing operations rose to HK$805.3 million from HK$689.3 million in 2000. The net loss from ordinary activities attributable to shareholders reduced to HK$183.6 million in 2001 from HK$836.8 million in 2000. This represents a loss per share of 15.3 cents for the year 2001, compared to a restated loss per share of 98.2 cents in 2000. No final dividend was recommended for the year 2001.

Finance cost of the Group increased to HK$45 million in 2001 from HK$33.3 million in 2000, mainly as a result of the borrowings incurred on the finance of the purchase of EHA. Subsequent to the rights issue completed in October 2001, the conversion of certain borrowings to equity and the disposal of the Group's construction arm, the amount of bank and other borrowings in the Group reduced to HK$ 120 million at 31 December 2001 from HK$571.7 million at 31 December 2000. This decrease in debt together with the reduction in interest rates have lowered the finance cost of the Group significantly in 2002.

Operations

The Group's three core businesses made good progress in 2001 achieving an overall 13.7% increase in turnover, with profits from continuing core businesses up 16.3%. This is a very satisfactory performance in the difficult economic conditions that prevailed and at this stage of our development.

Quality HealthCare Medical Services (QHMS) achieved an 8.6% growth in turnover through its doctors' clinics. Divisional profit was similar to 2000 as economic conditions did not permit us to increase our charges and the immediate benefits of staff reductions were delayed by some long-service and related payments.

The division expanded its network of Western medical practices by 130 doctors, an increase in strength of 35%. We made great strides in Chinese Medicine too, meeting a growing demand by opening our flagship clinic and three other clinics, adding to the existing affiliate network of 20 clinics. The outlook for 2002 is considerably better given the changes made in 2001.

{ Group turnover for the year 2001 amounted to HK$1,102.7 million, as compared to HK$1,107.3 million for the prior year. Turnover from continuing operations rose to HK$805.3 million from HK$689.3 million in 2000. }

Quality HealthCare Services (QHS) grew 4.3% in revenue from its Dental, Physiotherapy and Nursing services. Divisional profit reduced by 2.1% in 2001, as start-up costs in new clinics affected the bottom line. Our network of clinics continued to expand to a total of 46. The outlook for 2002 is more positive as concentration is now on reaping the benefits of our investment in the infrastructure.

Quality HealthCare Elderly Services (QHES) grew rapidly in its third year achieving a 63.4 % increase in turnover with its start-up loss reduced by 24% to HK$8 million. With more than 1,800 beds, and an occupancy of 75%, we have now reached the critical mass from where this business can start to make a significant contribution to Group profit. We will benefit in 2002 from the contracts signed with the Social Welfare Department (SWD) of the Hong Kong SAR Government. This involves us in bringing 100 elderly citizens into our Man Kee Home from the SWD waiting list of 29,000 people.

Initiatives for Growth

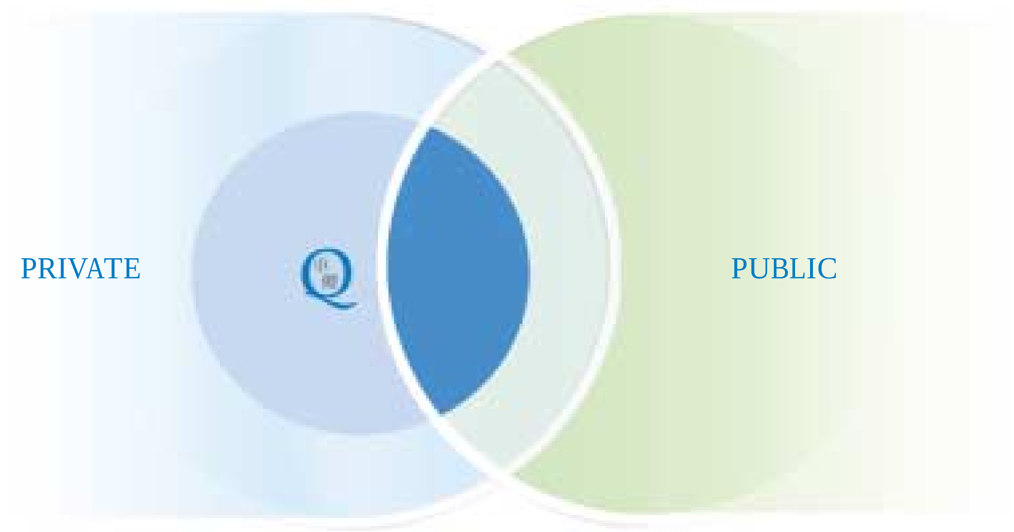
Our growth programme in 2002 will concentrate on four areas: the further improvement of profitability; the introduction of innovative product development and marketing; leveraging technology; and seeking opportunities in mainland China. Each of these programmes is expanded upon in the Operational Review that follows.

New Public Sector Opportunities

In addition to our planned initiatives for growth, the rapid development of Hong Kong's public healthcare sector represents significant potential for the Group.

Recently, there has been a fundamental move forward by the Hong Kong SAR Government towards partnering with

Quality HealthCare is committed to public private partnership for the benefit of Hong Kong people



the private sector in the provision of public healthcare services. The Group has already benefited from this development. The initiative is in line with global trends and is, in our view, the most effective solution to meeting the dual challenges facing Government, of providing better and more efficient public healthcare, more cost effectively. It is good for Hong Kong, and is encouraging for Quality HealthCare.

As I have reported to shareholders in the past, public sector work represents a major opportunity for growth. For this reason it has been an objective of the Group, since its inception, to play a leading role in supporting the Government's public healthcare restructuring.

Over the past two years, in particular, much effort has been applied by management to building bridges and to working in cooperation with, and alongside, the relevant bodies in the public healthcare sector to find solutions. I believe that these efforts are now starting to bear fruit for the SAR Government, the Company, and for Hong Kong people.

We recognize that the start of outsourcing by Government is likely to take time, and ask the Government to challenge the private sector, and to partner with them for the benefit of both public and private sectors and the Hong Kong community.

People

As the largest employer of healthcare staff in Hong Kong's private sector, we seek only the best people, and are able to demand the highest standards. We also place the highest priority on Continuing Medical Education. It is upon these values that our staff have gained their reputation for excellence, and I want to thank them all for their dedication and contribution in 2001. I have every confidence that, together, we can make Quality HealthCare's future financial results match our medical and professional reputation.

I am delighted that Ron Carstairs has agreed to become Deputy Chairman of QHA. He has served as an independent non-executive director for some years, and his experience will be of great help to the Group.

Everyone at Quality HealthCare learned with much sadness that Dr. Henry Lee had died in November last year. Henry was at the forefront of Hong Kong's medical fraternity, and he championed corporate healthcare. His practice was the foundation upon which Quality HealthCare developed. His guidance as a doctor, as a director, and as a friend will be greatly missed.

Outlook

The current economic outlook for Hong Kong, as for most other markets, is uncertain. However, it is certain that the development of healthcare in Hong Kong is entering a period of momentous change, and Quality HealthCare is at the forefront of this. Most importantly, the Company has put behind it the structural and financial challenges of the past two years and actively is pursuing growth. The patience and support of shareholders during this time have been much valued by the Board. Our management focus is now on achieving greater profitability, expanding our successful core businesses and seizing new opportunities, and we believe that Quality HealthCare can deliver solid profit growth in 2002.

Brian O'Connor
Chairman
18 April 2002