1. Corporate Information

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

- Provision of medical services
- Provision of nursing, physiotherapy and dental services
- Provision of elderly care services
- Provision of healthcare transaction processing and claims handling services and distribution of medical equipment (collectively, the "Healthcare transaction operations and related businesses")
- Provision of ground engineering and building construction services (discontinued on 8 May 2001 as further explained in note 6 to the financial statements)

2. Impact of New and Revised Hong Kong Statements of Standard Accounting Practice ("SSAPs")

The following recently-issued and revised SSAPs and related interpretations ("Interpretations") are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

2. Impact of New and Revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") (cont.)

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Under the revised SSAP, the Company's proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings in a separate line within the capital and reserves section of the balance sheet. This revision has had no major impact on these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 27 and 34 to the financial statements. In accordance with the transitional provision of SSAP 14 (Revised), the SSAP has been applied prospectively and therefore, has had no effective on amounts previously reported in the prior year financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Under the revised SSAP, proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. This revision has had no major impact on these financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This has had no major impact on the amount previously recorded in the financial statements, therefore no prior year adjustment required.

2. Impact of New and Revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") (cont.)

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements, except that the Group now expenses the costs incurred in developing and building the Group name, logo and image rather than capitalising such expenses as internally generated brandname as it does not meet the new definition and recognition criteria of intangible assets. The only effect of the change, which has been accounted for retrospectively, is that the accumulated losses brought forward at 1 January 2000 have been restated and increased by HK$8,300,000 which is the amount of internally generated brandname capitalised relating to the years prior to 1 January 2000. This SSAP also requires that impairment losses on intangible assets are aggregated with the accumulated amortisation (see note 17), whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the consolidated balance sheet.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in note 18 to the financial statements. The required new additional disclosures are included in notes 18 and 31 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

2. Impact of New and Revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") (cont.)

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets are aggregated with accumulated depreciation in note 15 to the financial statements, whereas previously they were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of fixed assets in the consolidated balance sheet.

3. Summary of Significant Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

3. Summary of Significant Accounting Policies (cont.)

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

3. Summary of Significant Accounting Policies (cont.)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition, over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the profit and loss account when the future losses and expenses are recognised.

3. Summary of Significant Accounting Policies (cont.)

Negative goodwill (cont.)

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

3. Summary of Significant Accounting Policies (cont.)

Fixed assets and depreciation

Fixed assets, other than software under development, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2% – 4%
Leasehold improvements	15%-33.33% or over the lease terms, whichever is shorter
Plant and machinery	10% – 25%
Furniture, fixtures and office equipment	15% – 33.33%
Medical equipment	12.5% – 20%
Computer equipment and software	20% – 33.33%
Motor vehicles	20% – 25%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Software under development

Expenditure incurred in developing software for internal use is capitalised and deferred only when the software for internal use is clearly defined, the expenditure is separately identifiable and can be measured reliably, and there is reasonable certainty that the software is technically feasible. Software under development is transferred to computer equipment and software when it is completed and ready for use. No depreciation is provided until such time as the development of the software is completed and put into use.

3. Summary of Significant Accounting Policies (cont.)

Intangible assets

Investments in Internet healthcare development and affiliate networks

The Group's investments in Internet healthcare development and affiliate networks represent the direct and indirect costs incurred in the development of a wide range of Internet-based healthcare solutions and services, including an Internet healthcare portal, and the building of affiliate networks in respect of western medicine doctors, Chinese medicine clinics and dentists to enhance the revenue model, by attracting subscribers to the portal, and creating the opportunity to generate affiliated revenue. These costs are capitalised and deferred only when the costs are separately identifiable and can be measured reliably; there is reasonable certainty that the developments are technically feasible; and when it can be reasonably anticipated that they will be recovered through increased future commercial activities. Investments in Internet healthcare development and affiliate networks are stated at cost less accumulated amortisation and any impairment losses. Such costs are amortised on the straight-line basis, over the estimated commercial lives of the investments not exceeding three years, commencing from the respective dates of completion of the developments of the Internet-based healthcare business and the affiliate networks or such earlier date as the directors deem appropriate.

Licence and cooperative rights

Licence and cooperative rights acquired under contractual arrangements are stated at cost less accumulated amortisation and any impairment losses. Licence and cooperative rights are amortised on the straight-line basis, over the terms of the contractual arrangements.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. Summary of Significant Accounting Policies (cont.)

Long term investments

Long term investments in listed and unlisted equity and debt securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Properties for sale

Properties for sale are stated at the lower of cost and net realisable value, which is determined by the directors with reference to prevailing market prices less any further costs expected to be incurred in the process of disposal, on an individual property basis.

Inventories

Inventories are stated at the lower of cost and net realisable value, after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred in the process of disposal.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred and revenue is recognised only to the extent of contract costs incurred that are probable of recovery.

Provision is made for foreseeable losses as soon as they are anticipated by management.

3. Summary of Significant Accounting Policies (cont.)

Construction contracts (cont.)

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, or when each asset has been separately negotiated, or when the costs and revenue of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when the contracts were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advance.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the provision of services, including medical services, nursing, physiotherapy and dental services, elderly care services and healthcare transaction processing and claims handling services, on the provision of the relevant services;

(b) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(c) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

3. Summary of Significant Accounting Policies (cont.)

Revenue recognition (cont.)

(d) from hiring of plant and machinery, on a time proportion basis over the lease terms;

(e) rental income, on a time proportion basis over the lease terms;

(f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(g) dividends, when the shareholders' right to receive payment is established.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong, for those employees who are eligible to participate in the Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Dividends

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

3. Summary of Significant Accounting Policies (cont.)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4. Segment Information

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. For management purposes, 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 other business segments. Summary details of the principal business segments are as follows:

(a) the medical services segment engages in the provision of medical services;

(b) the nursing, physiotherapy and dental services ("nursing, physio & dental") segment engages in the provision of nursing, physiotherapy and dental services;

(c) the elderly care services segment engages in the provision of elderly care services;

(d) the healthcare transaction operations segment engages in the healthcare transaction processing, claims handling and medical equipment distribution businesses;

(e) the ground engineering and building construction segment engages in the ground engineering and building construction business, which was disposed of during the year; and

(f) the corporate and other segment comprises the Group's intra-group management services business, which principally provides management and other services to group companies, together with other corporate income and expense items.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted at mutually agreed items.

4. Segment Information (cont.)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Medical services		Nursing, physio & dental		Elderly care services		Healthcare transaction operations		Ground engineering & building construction		Corporate and others		Eliminations		Consolidated	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000 (Restated)
Segment revenue:																
Sales to external customers	**584,816**	538,351	**59,693**	57,212	**107,474**	65,761	**53,357**	27,937	**297,369**	418,065	–	–	**–**	–	**1,102,709**	1,107,326
Intersegment sales	**3,109**	18,000	**1,108**	–	**–**	–	**23,263**	15,717	**–**	–	**3,714**	789	**(31,194)**	(34,506)	**–**	–
Other revenue	**2,153**	5,473	**924**	842	**485**	–	**7,560**	5,198	**953**	937	**–**	–	**–**	–	**12,075**	12,450
Total	**590,078**	561,824	**61,725**	58,054	**107,959**	65,761	**84,180**	48,852	**298,322**	419,002	**3,714**	789	**(31,194)**	(34,506)	**1,114,784**	1,119,776
Segment results	**26,094**	25,827	**1,793**	1,832	**(8,053)**	(10,602)	**(199,359)**	(92,190)	**(22,739)**	2,948	**(16,529)**	(18,290)	**(3,714)**	(539)	**(222,507)**	(91,014)
Interest income															**1,494**	4,707
Unallocated expenses															**(147,744)**	(799,331)
Gain on disposal/ partial disposal of subsidiaries															**24,487**	45,143
Gain on deemed disposal of a subsidiary															**85,964**	22,588
Loss from operations															**(258,306)**	(817,907)
Finance costs															**(45,058)**	(33,342)
Share of results of a jointly-controlled entity	**(858)**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(858)**	–
Loss before tax															**(304,222)**	(851,249)
Tax															**(5,141)**	(6,190)
Loss before minority interests															**(309,363)**	(857,439)
Minority interests															**125,780**	20,649
Net loss from ordinary activities attributable to shareholders															**(183,583)**	(836,790)
Segment assets	**149,954**	**174,241**	**12,103**	**13,012**	**56,307**	**71,148**	**49,896**	**105,020**	**–**	**457,130**	**22,209**	**38,425**	**–**	**–**	**290,469**	**858,976**
Interest in a jointly-controlled entity	**614**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**614**	**–**
Unallocated assets															**9,376**	**26,356**
Bank overdrafts included in segment assets	**–**	**4,430**	**–**	**–**	**–**	**–**	**3,476**	**–**	**–**	**76,401**	**–**	**–**	**–**	**–**	**3,476**	**80,831**
Total assets															**303,935**	**966,163**
Segment liabilities	**73,974**	**91,784**	**4,182**	**4,783**	**10,345**	**17,558**	**24,948**	**32,514**	**–**	**226,139**	**13,761**	**17,424**	**–**	**–**	**127,210**	**390,202**
Unallocated liabilities															**128,864**	**512,810**
Bank overdrafts included in segment assets	**–**	**4,430**	**–**	**–**	**–**	**–**	**3,476**	**–**	**–**	**76,401**	**–**	**–**	**–**	**–**	**3,476**	**80,831**
Total liabilities															**259,550**	**983,843**
Other segment information:																
Depreciation	**8,415**	**7,861**	**1,733**	**1,269**	**10,331**	**7,580**	**11,342**	**6,322**	**10,122**	**12,682**	**400**	**703**	**–**	**–**	**42,343**	**36,417**
Unallocated amortisation expenses															**18,421**	**8,784**
Impairment losses recognised in the profit and loss account*	**–**	**–**	**–**	**–**	**–**	**–**	**116,168**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**116,168**	**–**
Other unallocated impairment losses**															**129,323**	**790,547**
Capital expenditure	**4,225**	**15,866**	**2,029**	**2,095**	**7,150**	**20,370**	**14,589**	**16,623**	**44,704**	**205,320**	**129**	**544**	**–**	**–**	**72,826**	**260,818**

* The impairment losses recognised in the healthcare transaction operations segment relate to impairment of fixed assets and intangible assets amounted to HK$8,612,000 and HK$107,556,000, respectively. (2000: Nil)

** The other unallocated impairment losses relate to the impairment of unallocated intangible assets, goodwill arising from acquisitions during the year and goodwill previously eliminated against reserves arising from acquisitions in prior years amounted to HK$14,644,000, HK$114,679,000 and HK$790,547,000, respectively.

4. Segment Information (cont.)

(b) Geographical segments

Over 90% of the Group's revenue, results, assets and capital expenditure are attributable to its operations in Hong Kong. No analysis by geographical segments is provided.

5. Turnover and Revenue

Turnover from continuing operations represents fees earned for the provision of medical services, nursing, physiotherapy and dental services, elderly care services, healthcare transaction processing and claims handling services and the net invoiced value of goods sold, after allowances for returns and trade discounts.

Turnover from the ground engineering and building construction operations discontinued during the year represents the value of contract work performed in respect of construction contracts and income from the hiring of plant and machinery.

Revenue from the following activities has been included in turnover:

	Group	
	2001 **HK$'000**	2000 HK$'000
Continuing operations:		
Medical services	**584,816**	538,351
Nursing, physiotherapy and dental services	**59,693**	57,212
Elderly care services	**107,474**	65,761
Healthcare transaction operations and related businesses	**53,357**	27,937
	805,340	689,261
Discontinued operations:		
Ground engineering and building construction	**297,369**	418,065
	1,102,709	1,107,326

6. Discontinued Operations

On 26 March 2001, in view of a strategic plan to concentrate on the Group's core/profitable activities, ehealthcareasia Limited ("EHA"), a listed subsidiary of the Group, entered into a conditional agreement with a company owned or controlled by certain then beneficial shareholders/ directors of certain subsidiaries of the Group for the disposal of the Group's entire interest in a subsidiary, Kin Wing Chinney (BVI) Limited ("KWC BVI"), for a cash consideration of HK$88,000,000 (the "Disposal"). The principal activities of KWC BVI and its subsidiaries comprised the ground engineering and building construction operations of the Group, which were solely carried out in Hong Kong. Further details of the Disposal are set out in a circular of the Company dated 17 April 2001.

The Disposal was completed on 8 May 2001 and the ground engineering and building construction operations were accounted for until that date. The turnover and the results of the ground engineering and building construction operations, which have been included in the financial statements, were as follows:

	2001 HK$'000	2000 HK$'000
Turnover	**297,369**	418,065
Loss before tax	**24,904**	690
Tax	**2,475**	941
Loss after tax	**27,379**	1,631

The gain arising on the disposal of the discontinued operations of approximately HK$15,727,000, which is included in the "Gain on disposal/partial disposal of subsidiaries" on the face of the consolidated profit and loss account, was determined based on the sale proceeds less the consolidated net assets value of the Group's interests in such operations at the date of disposal plus the release of relevant reserves.

7. Profit/(Loss) from Operations

The Group's profit/(loss) from operations is arrived at after charging:

	2001 HK$'000	2000 HK$'000 (Restated)
Cost of inventories sold/dispensary supplies consumed and services provided*	**955,793**	848,648
Depreciation	**43,617**	38,306
Less: Amount capitalised as contract costs	**(1,274)**	(1,889)
	42,343	36,417
Investments in Internet healthcare development and affiliate networks:		
Amortisation for the year**	**11,712**	8,784
Impairment arising during the year	**14,644**	–
	26,356	8,784
Licence and cooperative rights:		
Amortisation for the year**	**2,444**	–
Impairment arising during the year	**107,556**	–
	110,000	–
Goodwill:		
Amortisation for the year**	**4,265**	–
Impairment arising during the year	**114,679**	–
	118,944	–
Impairment of goodwill eliminated against reserves arising on acquisitions	**–**	790,547
Impairment of fixed assets	**8,612**	–
Minimum lease payments under operating leases in respect of land and buildings	**80,237**	61,504
Staff costs (including directors' remuneration (note 9)):		
Salaries, wages, allowances and bonuses	**380,777**	358,980
Retirement benefit scheme contributions	**7,656**	2,238
	388,433	361,218
Less: Staff costs capitalised in respect of investments in Internet healthcare development and affiliate networks	**–**	(2,568)
Staff costs capitalised in respect of construction contracts	**(21,962)**	(29,218)
	366,471	329,432
Auditors' remuneration	**2,174**	1,819
Foreign exchange losses, net	**1,461**	340
Loss on disposal/written off of fixed assets	**16,224**	140
Loss on disposal of a long term investment	**400**	–

7. Profit/(Loss) from Operations (cont.)

	2001 HK$'000	2000 HK$'000 (Restated)
and after crediting:		
Interest income	**1,494**	4,707
Net rental income	**1,179**	346
Dividend income	**363**	383

At 31 December 2001, the Group had no material forfeited contributions available to reduce its contributions to its retirement benefit scheme in future years (2000: Nil).

* Inclusive of minimum lease payments under operating leases of HK$78,163,000 (2000: HK$59,256,000) and staff costs of HK$233,684,000 (2000: HK$160,336,000).

** Included in "Depreciation and amortisation expenses" on the face of the profit and loss account.

8. Finance Costs

	Group	
	2001 HK$'000	2000 HK$'000
Interest on:		
Bank loans and overdrafts wholly repayable within five years	**11,032**	15,653
Other loans wholly repayable within five years	**32,708**	16,600
Finance leases and hire purchase contracts	**1,318**	1,089
	45,058	33,342

9. Directors' Remuneration

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001 HK$'000	2000 HK$'000
Fees	**450**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**7,687**	10,435
Retirement benefits scheme contributions	**46**	5
	7,733	10,440
	8,183	10,890

Fees include HK$450,000 (2000: HK$450,000) paid to independent non-executive directors of the Company. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

9. Directors' Remuneration (cont.)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**6**	3
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,000,001 – HK$2,500,000	**–**	2
HK$3,000,001 – HK$3,500,000	**1**	1
	9	8

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2000: Nil).

During the year, no share options were granted to the directors in respect of their services to the Group.

10. Five Highest Paid Employees

The five highest paid employees during the year included one (2000: one) director, details of whose remuneration are set out in note 9 above. The remuneration of the remaining four (2000: four) non-director, highest paid employees comprised salaries, allowances and benefits in kind of HK$16,635,228 (2000: HK$12,166,000). Of the five highest paid employees, four (2000: four) are practicing physicians.

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2001	2000
HK$2,500,001 – HK$3,000,000	**–**	3
HK$3,000,001 – HK$3,500,000	**2**	–
HK$3,500,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$4,500,000	**1**	–
HK$5,000,001 – HK$5,500,000	**1**	–
	4	4

11. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

	2001 HK$'000	2000 HK$'000
Group:		
Hong Kong		
– Current year	2,300	6,000
– Underprovision/(overprovision) in prior year	(617)	190
Elsewhere	378	–
Deferred tax charge – note 29	3,080	–
Tax charge for the year	5,141	6,190

There was no significant unprovided deferred tax charge in respect of the year (2000: Nil).

12. Net Loss from Ordinary Activities Attributable to Shareholders

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company, is HK$338,014,000 (2000: HK$34,683,000).

13. Dividend

	Group		Company	
	2001 HK$'000	2000 HK$'000	2001 HK$'000	2000 HK$'000
Interim – dividend in specie	–	5,368	–	44,755

On 27 July 2000, the Company distributed 44,114,192 shares in EHA to the shareholders of the Company, other than those shareholders whose addresses as shown in the register of members of the Company were outside Hong Kong, by the way of a distribution in specie, in the ratio of one share in EHA for every 20 shares of the Company then held by the Company's shareholders.

The directors do not recommend the payment of any final dividend in respect of the year (2000:Nil).

14. Loss per Share

The calculation of basic loss per share is based on the net loss attributable to the shareholders for the year of HK$183,583,000 (2000: HK$836,790,000 (as restated)), and the weighted average of 1,201,448,413 (2000: 852,232,762) ordinary shares in issue during the year.

No diluted loss per share is presented for the years ended 31 December 2001 and 2000, as the potential ordinary shares outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

15. Fixed Assets

Group

	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Medical equipment HK$'000	Computer equipment and software HK$'000	Motor vehicles HK$'000	Software under develop-ment HK$'000	Total HK$'000
Cost:									
At beginning of year	26,489	71,890	184,042	23,671	9,897	33,863	2,749	2,262	354,863
Acquisition of a subsidiary, business operations/assets and an elderly care home	-	5,339	-	1,081	49	1,807	-	-	8,276
Additions	6	3,034	51,719	2,925	1,836	4,840	190	-	64,550
Transfers	-	-	-	(250)	250	2,262	-	(2,262)	-
Disposals	(13,744)	(5,920)	(228,464)	(5,559)	(172)	(3,353)	(2,426)	-	(259,638)
Written off	-	(1,799)	-	(580)	-	(16,025)	-	-	(18,404)
Exchange realignment	-	(63)	(818)	(153)	-	(192)	(33)	-	(1,259)
At 31 December 2001	**12,751**	**72,481**	**6,479**	**21,135**	**11,860**	**23,202**	**480**	**-**	**148,388**
Accumulated depreciation and impairment:									
At beginning of year	2,446	20,198	13,261	7,295	4,335	8,098	384	-	56,017
Depreciation provided during the year	364	14,530	12,460	4,536	1,896	9,470	361	-	43,617
Impairment during the year recognised in the profit and loss account	-	400	4,400	382	-	3,430	-	-	8,612
Disposals	(267)	(2,339)	(23,811)	(1,552)	(172)	(2,154)	(372)	-	(30,667)
Written off	-	(1,636)	-	(379)	-	(6,054)	-	-	(8,069)
Exchange realignment	-	(4)	(110)	(17)	-	(130)	(7)	-	(268)
At 31 December 2001	**2,543**	**31,149**	**6,200**	**10,265**	**6,059**	**12,660**	**366**	**-**	**69,242**
Net book value:									
At 31 December 2001	**10,208**	**41,332**	**279**	**10,870**	**5,801**	**10,542**	**114**	**-**	**79,146**
At 31 December 2000	24,043	51,692	170,781	16,376	5,562	25,765	2,365	2,262	298,846

15. Fixed Assets (cont.)

The net book value of the fixed assets of the Group held under finance leases/hire purchase contracts included in the total amount of office equipment at 31 December 2001 amounted to HK$47,000 (2000: computer equipment and plant and machinery amounted to HK$383,000 and HK$27,805,000 respectively).

The Group's leasehold land and buildings are situated in Hong Kong and are held under medium term leases.

At 31 December 2001, the Group's leasehold land and buildings with a net book value of approximately HK$5,768,000 (2000: HK$23,442,000) were pledged to secure banking facilities granted to the Group (note 25).

16. Long Term Investments

	Group		Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Unlisted equity investments, at cost	**78**	3,283	**–**	–
Loans to investee companies	**889**	953	**–**	–
Convertible loan receivable	**–**	800	**–**	800
	967	5,036	**–**	800

The loans to investee companies are unsecured, interest-free and have no fixed terms of repayment.

The convertible loan receivable at 31 December 2000 was unsecured, bore interest at 7% per annum and was originally repayable on maturity in September 2001 or was convertible on or before that date into new shares of the borrower. During the year, the Group acquired the entire issue capital of the borrower, and the borrower became a subsidiary of the Group thereafter.

17. Intangible Assets

Group

	Licence and cooperative rights HK$'000	Investments in Internet healthcare development and affiliate networks HK$'000	Total HK$'000
Cost:			
At beginning of year	–	35,140	35,140
Additions	110,000	–	110,000
At 31 December 2001	**110,000**	**35,140**	**145,140**
Accumulated amortisation and impairment:			
At beginning of year	–	8,784	8,784
Amortisation provided during the year	2,444	11,712	14,156
Impairment during the year recognised in the profit and loss account	107,556	14,644	122,200
At 31 December 2001	**110,000**	**35,140**	**145,140**
Net book value:			
At 31 December 2001	**–**	**–**	**–**
At 31 December 2000	–	26,356	26,356

On 10 April 2001, EHA entered into certain cooperative agreements and a software licence agreement with iBusinessCorporation.com Limited, i21Limited and Excel Technology International Holdings Limited for a total consideration of HK$110 million, which were satisfied by the issue of 280,000,000 new ordinary shares of EHA valued at HK$0.25 each and two 2.5% interest-bearing convertible notes, with an aggregate face value of HK$40 million, and convertible into ordinary shares of EHA (the "Convertible Notes"). The Convertible Notes have a term of three years and a fixed conversion price of HK$0.40 per share.

On 13 November 2001, EHA entered into two separate agreements with the holders' of the Convertible Notes for the early redemption of the Convertible Notes by EHA for an aggregate cash consideration of HK$25.6 million. The Convertible Notes were fully redeemed prior to 31 December 2001 and, accordingly, the Group realised a gain on early redemption of the Convertible Notes of HK$14.4 million during the year.

17. Intangible Assets (cont.)

During the year, in line with the Group's strategic plan to concentrate on its existing core/profitable businesses, the directors decided to substantially reduce the scale of the Group's development plans in connection with the licence and cooperative rights and the investments in Internet healthcare development and affiliate networks of the Group. Accordingly, impairment losses of approximately HK$107.6 million and HK$14.6 million were recognised for the year in respect of the Group's licence and cooperative rights and investments in Internet healthcare development and affiliate networks, respectively.

18. Goodwill

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, an elderly care home and certain business operations and certain business assets and liabilities, are as follows:

Group

	Goodwill HK$'000
Cost:	
Acquisition of subsidiaries, an elderly care home, certain business operations and certain business assets and liabilities during the year	128,320
Disposal of subsidiaries	(110,530)
At 31 December 2001	**17,790**
Accumulated amortisation and impairment:	
Amortisation provided during the year	4,265
Impairment during the year recognised in the profit and loss account	114,679
Disposal of subsidiaries	(110,530)
At 31 December 2001	**8,414**
Net book value:	
At 31 December 2001	**9,376**
At 31 December 2000	–

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30, which permits goodwill in respect of acquisitions occurred prior to 1 January 2001 to remain eliminated against consolidated reserves and not restated. Accordingly, the goodwill arising from acquisitions occurred prior to 1 January 2001 and which was debited to a goodwill reserve is not restated.

18. Goodwill (cont.)

The amount of goodwill reserve, arising from the acquisition of subsidiaries, businesses and elderly homes prior to 1 January 2001, is as follows:

Group

	Goodwill reserve HK$'000 (Restated)
Cost:	
At beginning of year	790,547
Released on dilution of shareholding in a subsidiary	(32,146)
Disposal of subsidiaries/closure of an elderly home	(34,021)
At 31 December 2001	**724,380**
Accumulated impairment:	
At beginning of year:	
As previously reported	–
Prior year adjustment	790,547
As restated	790,547
Released on dilution of shareholding in a subsidiary	(32,146)
Disposal of subsidiaries/closure of an elderly home	(34,021)
At 31 December 2001	**724,380**
Net amount:	
At 31 December 2001	**–**
At 31 December 2000	
As previously reported	790,547
Prior year adjustment	(790,547)
As restated	–

18. Goodwill (cont.)

During the year, in accordance with SSAP 30 and Interpretation 13, the Group adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. This change of accounting policy has been accounted for retrospectively in accordance with the transitional provision of SSAP 30. Accordingly, the cumulative amount of impairment of goodwill reserve arising in the prior year, that would have been charged to the consolidated profit and loss account under the new accounting policy, of HK$790,547,000 as at 1 January 2001 has been adjusted to the accumulated impairment of goodwill reserve as at 1 January 2001 and the impairment loss for the year ended 31 December 2000, as a prior year adjustment, as further detailed above.

The cumulative amount of the impairment of goodwill reserve of HK$790,547,000 as at 1 January 2001 (1 January 2000: Nil) has been adjusted to the balance of accumulated losses as at that date.

19. Interests in Subsidiaries

	Company	
	2001 HK$'000	2000 HK$'000
Non-current assets:		
Unlisted shares, at cost	**35,443**	35,443
Loan to a subsidiary	**45,000**	–
Due from subsidiaries	**1,135,335**	1,106,085
Due to subsidiaries	**(201,568)**	(189,822)
	1,014,210	951,706
Provision for impairment	**(349,205)**	(46,650)
	665,005	905,056
Current asset:		
Loan to a subsidiary	**15,000**	49,000

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The loan to a subsidiary at 31 December 2000 represented the amount drawn down under a revolving term loan facility granted to EHA (the "Revolving Loan"), which was unsecured, bore interest at Hong Kong dollar prime rate plus 3% per annum and was originally repayable at the earlier of 31 December 2001 and six months after the Company's shareholding in EHA fell below 50%.

19. Interests in Subsidiaries (cont.)

Pursuant to a renewed term loan agreement dated 22 November 2001 entered into between the Company and EHA, which was approved by the Company's independent shareholders on 27 December 2001, the Revolving Loan was renewed with effect from 1 January 2002, principally under the terms as set out above, except for the following:

- the renewed Revolving Loan is repayable on 31 December 2003;
- the maximum principal amount that may be outstanding at any one time shall be (i) the amount of HK$60,000,000 during the period from 1 January 2002 to 28 February 2002 and (ii) the amount of HK$45,000,000 during the period from 1 March 2002 to 31 December 2003; and
- the outstanding principal together with the interest accrued thereon would be repayable upon demand should the Company's shareholding in EHA fall below 30%.

Accordingly, part of the Revolving Loan at 31 December 2001 amounting to HK$45,000,000 (2000: Nil) has been classified as non-current assets.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Medical Services					
Berkshire Group Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	Provision of professional services to medical practices
Quality HealthCare Limited	British Virgin Islands/ Isle of Man	Ordinary HK$60,000,000	100	100	Owner of franchise names
Quality HealthCare Chinese Medicine Limited	Hong Kong	Ordinary HK$100	100	85	Development of Chinese Medicine network

19. Interests in Subsidiaries (cont.)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Medical Services (cont.)					
Quality HealthCare Medical Centre Limited	Hong Kong	Ordinary HK$1,300	100	100	Medical facilities and services provider
Quality HealthCare Medical Services Limited	Hong Kong	Ordinary HK$2	100	100	Provision of contract healthcare services
Quality HealthCare Professional Services Limited	Hong Kong	Ordinary HK$2	100	100	Provision of professional services
Nursing, Physiotherapy and Dental Services					
Quality HealthCare Dental Services Limited	Hong Kong	Ordinary HK$1,000	100	100	Provision of dental services
Quality HealthCare Nursing Services Limited	Hong Kong	Ordinary HK$10,000	100	100	Provision of nursing services
Quality HealthCare Physiotherapy Services Limited	Hong Kong	Ordinary HK$1,000	100	100	Provision of physiotherapy services

19. Interests in Subsidiaries (cont.)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Elderly Care Services					
Conifer Elderly Services Limited	Hong Kong	Ordinary HK$1,000	100	100	Provision of elderly care services
QHES Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	100	Provision of elderly care services
Quality HealthCare Man Kee Elderly Limited	Hong Kong	Ordinary HK$1,000	100	100	Provision of elderly care services
Healthcare Transaction Operations and Related Businesses					
ehealthcareasia Limited*	Bermuda/ Hong Kong	Ordinary HK$2,948,834	53.8	64.9	Investment holding
ehealthcareasia.com Limited	Hong Kong	Ordinary HK$2	53.8	64.9	Development and provision of healthcare transaction processing, healthcare solutions and claims handling services
eHealth Australia Pty Ltd	Australia	Ordinary A$6,412,763	–	64.9	Investment holding and development and provision of healthcare solutions and services

19. Interests in Subsidiaries (cont.)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Healthcare Transaction Operations and Related Businesses (cont.)					
Ultronics Enterprise Limited	Hong Kong	Ordinary HK$5 Deferred HK$4,313,880	53.8	64.9	Distribution of medical equipment and supplies
eQuality Group Pty Ltd.	Australia	Ordinary A$2	–	64.9	Development and provision of healthcare solutions and services
Medseed Pty Limited	Australia	Ordinary A$149	–	64.9	Development and provision of healthcare solutions and services
ehealthcareasia (Taiwan) Limited	Taiwan	Ordinary NTD500,000	53.8	–	Provision of telemarketing services

19. Interests in Subsidiaries (cont.)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Ground Engineering and Building Construction					
Kin Wing Chinney (BVI) Limited #	British Virgin Islands	Ordinary US$208	–	32.4	Investment holding
Apex Aluminum Fabricator Company Limited #	Hong Kong	Ordinary HK$9,160,000	–	32.4	Contracting of building aluminum work
Apex Curtain Wall and Windows Company Limited #	Hong Kong	Ordinary HK$10,000	–	32.4	Contracting of building aluminum work
Chinney Builders and Foundation Company Limited #	Hong Kong	Ordinary HK$2	–	32.4	Building construction
Chinney Construction Company, Limited #	Hong Kong	Ordinary HK$10,000,000	–	32.4	Building construction
DrilTech Geotechnical Engineering Limited #	Hong Kong	Ordinary HK$10,000	–	32.4	Drilling and related ground engineering construction
DrilTech Ground Engineering Limited #	Hong Kong	Ordinary HK$12,500,000	–	32.4	Drilling, site investigation and related ground engineering construction

19. Interests in Subsidiaries (cont.)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ operations	Nominal value of issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Kin Wing Engineering Company Limited #	Hong Kong	Ordinary HK$10,000,000	–	32.4	Foundation piling
Kin Wing Foundations Limited #	Hong Kong	Ordinary HK$10,000	–	32.4	Foundation piling
Kin Wing Machinery & Transportation Limited #	Hong Kong	Ordinary HK$100	–	32.4	Equipment and machinery leasing

* Listed on The Stock Exchange of Hong Kong Limited.

Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Except for Quality HealthCare Man Kee Elderly Limited, all the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

20. Interest in a Jointly-controlled Entity

	Group 2001 HK$'000	2000 HK$'000
Share of net liabilities	**(858)**	–
Due from a jointly-controlled entity	**1,472**	–
	614	–

The amount due from the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

20. Interest in a Jointly-controlled Entity (cont.)

Particulars of the jointly-controlled entity at the balance sheet date are as follows:

Name	Business structure	Place of incorporation and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Women's Health Centres International Limited	Corporate	Hong Kong	50	50	50	Development and provision of cancer screening and women's health screening services

The above jointly-controlled entity is indirectly held by the Company.

21. Properties for Sale

The properties for sale are situated in the People's Republic of China and are held under medium term leases. Certain of the Group's properties for sale with a carrying amount of HK$4,743,000 (2000: HK$3,348,000) are leased to third parties under operating leases, further details of which are included in note 34 to the financial statements.

One of the Group's properties for sale is pledged to secure a bank loan of the Group (note 25).

22. Inventories

	Group	
	2001 HK$'000	2000 HK$'000
Dispensary supplies	**6,994**	7,539
Trading stocks	**5,331**	5,130
Consumables	**553**	463
	12,878	13,132

The carrying amount of inventories carried at net realisable value included in the above balance was HK$6,019,275 (2000: HK$4,431,000) as at the balance sheet date.

23. Accounts Receivable

The Group allows an average general credit period of 30 to 90 days to its business-related customers, except for certain well established customers, where the terms are extended beyond 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

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

	Group	
	2001 HK$'000	2000 HK$'000
Current – 90 days	**94,099**	239,718
91 – 180 days	**91**	6,437
181 – 360 days	**10**	7,954
Over 360 days	**–**	13,968
	94,200	268,077

24. Construction Contracts

	Group	
	2001 HK$'000	2000 HK$'000
Gross amounts due from contract customers	**–**	84,201
Gross amounts due to contract customers	**–**	(47,379)
	–	36,822
Contract costs incurred plus recognised profits		
less recognised losses to date	**–**	4,015,608
Less: Progress billings	**–**	(3,978,786)
	–	36,822

25. Interest-bearing Bank and Other Borrowings

	Group		Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Bank loans and overdrafts:				
Secured*	**105,093**	213,185	**51,175**	70,000
Unsecured	**–**	54,355	**–**	–
	105,093	267,540	**51,175**	70,000
Financial institution loan	**15,000**	304,201	**–**	304,201
	120,093	571,741	**51,175**	374,201
Portion repayable within one year or on demand classified as current liabilities	**(52,762)**	(185,820)	**(16,488)**	(29,167)
Non-current portion	**67,331**	385,921	**34,687**	345,034

* Included a bank factoring loan of the Group of HK$10,000 as at 31 December 2001 (2000: HK$3,761,000).

The maturity terms of the above amounts are as follows:

	Group		Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Repayable:				
Within one year or on demand	**52,762**	185,820	**16,488**	29,167
In the second year	**35,358**	376,790	**17,570**	339,201
In the third to fifth years, inclusive	**31,973**	9,131	**17,117**	5,833
	120,093	571,741	**51,175**	374,201

Certain of the Group's bank loans and overdrafts at 31 December 2001 were secured by certain receivables and rights under medical services contracts, a leasehold property and a property for sale of the Group.

The Group's loan from a financial institution at 31 December 2001 bore interest at 1.5% per month or Hong Kong dollar prime rate plus 12.75% per annum or 3-month Hong Kong Interbank Offering Rate plus 15.913% per annum, whichever was higher, and was repayable on 27 February 2002 or 3 banking days after the last day of the acceptance of payment for a rights issue of EHA (note 37), whichever is earlier. Subsequent to the rights issue of EHA, the financial institution loan was repaid in January 2002. This financial institution loan was secured by an assignment of proceeds under the rights issue of EHA and a charge over accounts of EHA's money kept in rights issue bank accounts.

25. Interest-bearing Bank and Other Borrowings (cont.)

The Group's loan from a financial institution at 31 December 2000 was secured by all the ordinary shares of EHA held by the Group and bore interest at the lender's cost of borrowing plus 2% to 8% during that year. The loan was originally repayable during that year. Pursuant to a letter dated 28 September 2000, the lender agreed not to demand immediate repayment of the principal of that loan, subject to the repayment of the interest amount accrued and owing under the loan. On 4 April 2001, the Group entered into a supplementary agreement with the lender (the "Agreement"), whereby the loan was restructured into a long term loan (the "Term Loan") repayable by the Group on or before 1 July 2002. Pursuant to the Agreement, the Company granted a cash-settlement option to the lender in relation to the notional exchange of part of the outstanding principal of the Term Loan into ordinary shares in EHA held by the Group at any time prior to 31 July 2001, subject to certain conditions, at an exchange price of HK$0.40 per share (subject to adjustment and the payment of an exchange derivative fee as set out in the Agreement). In addition, the Company granted a cash-settlement option to the lender in relation to the notional conversion of part of the outstanding principal of the Term Loan into the ordinary shares of the Company after 30 September 2001, subject to certain conditions, at an initial conversion price of HK$1.10 per share (subject to adjustment and the payment of a derivative fee as set out in the Agreement). Based on the above arrangements, the directors considered that it was appropriate to classify the balance of the financial institution loan at 31 December 2000 of approximately HK$304.2 million as non-current liabilities.

On 27 July 2001, the Company entered into a conditional agreement (the "Discharge Agreement") with the lender of the Term Loan, pursuant to which the balance of the Term Loan of approximately HK$284.2 million owed by the Company to the lender would be discharged upon a repayment of HK$130 million in cash (the "Loan Repayment") from the proceeds of a rights issue of the ordinary shares of the Company during the year, as set out in note 30 to the financial statements, and the issue of 342,666,666 ordinary shares of the Company to the lender valued at HK$0.45 per share (the "Conversion"). Further details of the rights issue and the Discharge Agreement are set out in a circular and a prospectus of the Company dated 29 August 2001 and 18 September 2001, respectively. Both the Loan Repayment and the Conversion were completed and, accordingly, the charge on the EHA shares held by the lender was released during the year.

26. Accounts and Bills Payable, Other Payables, Accruals and Deposits Received

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

	Group	
	2001 HK$'000	2000 HK$'000
Accounts and bills payable:		
Current – 90 days	**35,935**	103,731
91 – 180 days	**326**	2,609
181 – 360 days	**148**	758
Over 360 days	**756**	6,175
	37,165	113,273
Other payables, accruals and deposits received	**89,824**	193,098
	126,989	306,371

27. Finance Lease and Hire Purchase Contract Payables

The Group leased certain of its office equipment as at 31 December 2001. These leases are classified as finance leases and have remaining lease terms ranging from 1 to 2 years. All finance leases at 31 December 2001 are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

At 31 December 2001, the total future minimum lease payments under finance leases and their present values were as follows:

	Group	
	Minimum lease payments 2001 HK$'000	**Present value of minimum payments 2001 HK$'000**
Amounts payable:		
Within one year	**208**	**207**
In the second year	**14**	**14**
Total minimum finance lease payments	**222**	**221**
Future finance charges	**(1)**	
Total net finance lease payables	**221**	
Portion classified as current liabilities	**(207)**	
Long term portion	**14**	

27. Finance Lease and Hire Purchase Contract Payables (cont.)

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above.

In accordance with the transitional provisions of SSAP 14 (Revised), the SSAP has been applied prospectively. Accordingly, the prior year comparative amounts for the new disclosures required under the revised SSAP 14 have not been presented and the disclosures required prior to the implementation of the revised SSAP 14 are set out below.

At 31 December 2000, the total future minimum lease payments under finance leases and hire purchase contracts, were as follows:

	Group Minimum lease payments 2000 HK$'000
Amounts payable:	
Within one year	13,085
In the second year	12,124
In the third to fifth years, inclusive	6,629
Total minimum finance lease and hire purchase contract payments	31,838
Future finance charges	(4,866)
Total net finance lease and hire purchase contract payables	26,972
Portion classified as current liabilities	(11,212)
Long term portion	15,760

28. Deferred Acquisition Consideration

	Group	
	2001 HK$'000	2000 HK$'000
Partial consideration payable for the acquisition of subsidiaries	–	9,480

29. Deferred Tax

	Group	
	2001 HK$'000	2000 HK$'000
Balance at beginning of year	**10,556**	196
Charge for the year – note 11	**3,080**	–
Acquisition of subsidiaries	**–**	10,360
Disposal of subsidiaries	**(13,440)**	–
At 31 December	**196**	10,556

The principal component of the Group's provision for deferred tax relates to timing differences arising from accelerated depreciation allowances.

At the balance sheet date, the Group and the Company had no significant potential deferred tax liabilities for which provision has not been made (2000: Nil).

30. Share Capital

Shares	**2001 HK$'000**	2000 HK$'000
Authorised:		
3,000,000,000 (2000: 1,500,000,000) ordinary shares of HK$0.10 each	**300,000**	150,000
Issued and fully paid:		
2,168,518,848 (2000: 912,423,591) ordinary shares of HK$0.10 each	**216,852**	91,242

Pursuant to an ordinary resolution passed on 3 May 2001, the authorised share capital of the Company was increased from HK$150,000,000 to HK$300,000,000 by the creation of 1,500,000,000 additional shares of HK$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

30. Share Capital (cont.)

A summary of the transactions during the year with reference to the movements of the Company's ordinary share capital and share premium account is as follows:

Ordinary shares	Notes	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000
At beginning of year		912,423,591	91,242	44,359
Issue of new ordinary shares pursuant to				
the Discharge Agreement – note 25	(i)	342,666,666	34,267	119,933
Rights issue	(ii)	912,926,091	91,293	136,939
Share options exercised	(iii)	502,500	50	281
Share issue expenses		–	–	(7,764)
Movements during the year		1,256,095,257	125,610	249,389
At 31 December 2001		**2,168,518,848**	**216,852**	**293,748**

Notes:

(i) As further detailed in note 25 to the financial statements, 342,666,666 ordinary shares of the Company were issued to the lender of the Term Loan, valued at HK$0.45 per share, as partial settlement of the Term Loan amounting to HK$154,200,000.

(ii) A rights issue of one rights share for every existing share held by members on the register of members on 17 September 2001 was made, at an issue price of HK$0.25 per rights share, resulting in the issue of 912,926,091 ordinary shares of HK$0.10 each for a total cash consideration, before expenses, of HK$228,231,523.

(iii) The subscription rights attached to 502,500 share options of the Company were exercised at the subscription price of HK$0.66 per share, resulting in the issue of 502,500 ordinary shares of the Company of HK$0.10 each for a total cash consideration, before expenses, of HK$331,650.

Subsequent to the balance sheet date, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of shares of HK$0.10 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$
Jan 2002	5,090,000	0.229	0.198	1,143,512

30. Share Capital (cont.)

Share options

The Company operates a share option scheme (the "Scheme"), which entitles the holders of share options granted under the Scheme to subscribe for ordinary shares of the Company at any time during their exercisable periods. Further details of the Scheme are set out under the heading "Share Capital and Share Options" in the Report of Directors.

The movements in the number of share options granted under the Scheme during the year (as adjusted to reflect the rights issue during the year) are summarised as follows:

Number of share options granted with an exercise price per share (subject to adjustment) of	Balance at 1 January 2001	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance at 31 December 2001	Exercise period of share options
HK$0.235	20,000,000	–	–	–	(20,000,000)	–	03-08-98 to 02-08-01
HK$0.305	–	6,000,000	–	(6,000,000)	–	–	08-12-01 to 04-07-03
HK$0.330	6,005,000	–	(1,005,000)	(630,000)	–	4,370,000	19-11-99 to 30-06-02
HK$0.350	4,000,000	–	–	(4,000,000)	–	–	20-07-99 to 19-01-02
HK$0.435	19,650,000	–	–	(3,500,000)	–	16,150,000	26-04-00 to 15-11-02
HK$0.595	4,520,000	–	–	(1,080,000)	–	3,440,000	02-05-00 to 10-05-03
HK$0.640	8,000,000	–	–	–	–	8,000,000	15-05-00 to 14-05-03
HK$0.830	1,000,000	–	–	–	–	1,000,000	23-08-01 to 04-07-03
HK$0.960	6,000,000	–	–	–	–	6,000,000	16-02-01 to 04-07-03
HK$0.990	800,000	–	–	–	–	800,000	18-02-01 to 04-07-03
HK$1.025	6,000,000	–	–	–	–	6,000,000	07-02-01 to 04-07-03
HK$1.150	3,000,000	–	–	–	–	3,000,000	14-06-01 to 04-07-03
HK$1.160	2,550,000	–	–	(300,000)	–	2,250,000	25-08-01 to 04-07-03
HK$1.175	14,000,000	–	–	–	–	14,000,000	15-08-00 to 04-07-03
HK$1.450	16,338,000	–	–	(2,828,000)	–	13,510,000	16-02-01 to 04-07-03
HK$1.575	600,000	–	–	–	–	600,000	30-03-01 to 04-07-03
	112,463,000	6,000,000	(1,005,000)	(18,338,000)	(20,000,000)	79,120,000	

The number of options and exercise prices have been adjusted as a result of the rights issue of the Company during the year.

30. Share Capital (cont.)

Share options (cont.)

During the year, the Company granted a total of 6,000,000 share options under the Scheme for a nominal consideration of HK$1 in total per grant.

The options granted are exercisable in accordance with the terms and restrictions contained in the respective offer letters. The exercise in full of the outstanding share options at 31 December 2001 would, under the present capital structure of the Company, result in the issue of 79,120,000 additional ordinary shares of HK$0.10 each and proceeds, before expenses, of HK$72,210,650.

31. Reserves

Group

	Share premium account HK$'000	Goodwill reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000:						
As previously reported	–	(535,889)	545,147	–	28,073	37,331
Prior year adjustment:						
SSAP 29 – recognition of the costs incurred for the development/building of the Group's internally generated brandname as expenses as and when incurred – note 2	–	–	–	–	(8,300)	(8,300)
As restated	–	(535,889)	545,147	–	19,773	29,031
Premium on issue of shares	45,022	–	–	–	–	45,022
Share issue expenses	(663)	–	–	–	–	(663)
Conversion of preference shares	–	–	(4,899)	–	–	(4,899)
Arising on acquisition of subsidiaries, businesses and elderly care homes – note 32(d)	–	(322,487)	–	–	–	(322,487)
Release on dilution of shareholding in a subsidiary	–	65,311	–	–	–	65,311
Adjustment to the consideration for the acquisition of a subsidiary	–	605	–	–	–	605
Impairment of goodwill previously eliminated against reserves	–	790,547	–	–	–	790,547
Exchange realignments	–	–	–	291	–	291
Net loss for the year (restated)	–	–	–	–	(836,790)	(836,790)
Dividend in specie- note 13	–	1,913	(5,368)	–	–	(3,455)
At 31 December 2000	44,359	–	534,880	291	(817,017)	(237,487)

31. Reserves (cont.)

Group

	Share premium account HK$'000	Goodwill reserve HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2001:						
As previously reported	44,359	(790,547)	534,880	291	(18,170)	(229,187)
Prior year adjustments:						
SSAP 29 – recognition of the costs incurred for the development/building of the Group's internally generated brandname as expenses as and when incurred – note 2	–	–	–	–	(8,300)	(8,300)
SSAP 30 & Interpretation 13 – impairment provided for goodwill previously eliminated against reserves – notes 2 and 18	–	790,547	–	–	(790,547)	–
As restated	44,359	–	534,880	291	(817,017)	(237,487)
Premium on issue of shares	257,153	–	–	–	–	257,153
Share issue expenses	(7,764)	–	–	–	–	(7,764)
Exchange realignments	–	–	–	(786)	–	(786)
Net loss for the year	–	–	–	–	(183,583)	(183,583)
At 31 December 2001	**293,748**	**–**	**534,880**	**(495)**	**(1,000,600)**	**(172,467)**
Reserves retained by/ (accumulated in):						
Company and subsidiaries	293,748	–	534,880	(495)	(999,742)	(171,609)
A jointly-controlled entity	–	–	–	–	(858)	(858)
At 31 December 2001	**293,748**	**–**	**534,880**	**(495)**	**(1,000,600)**	**(172,467)**
Reserves retained by/ (accumulated in):						
Company and subsidiaries at 31 December 2000 (restated)	44,359	–	534,880	291	(817,017)	(237,487)

31. Reserves (cont.)

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000	–	563,989	(15,456)	548,533
Premium on issue of shares	45,022	–	–	45,022
Conversion of preference shares	–	(4,899)	–	(4,899)
Share issue expenses	(663)	–	–	(663)
Net loss for the year	–	–	(34,683)	(34,683)
Dividend in specie – note 13	–	(44,755)	–	(44,755)
At 31 December 2000 and beginning of year	44,359	514,335	(50,139)	508,555
Premium on issue of shares	257,153	–	–	257,153
Share issue expenses	(7,764)	–	–	(7,764)
Net loss for the year	–	–	(338,014)	(338,014)
At 31 December 2001	**293,748**	**514,335**	**(388,153)**	**419,930**

The contributed surplus of the Company originally represented the difference between the par value of the Company's shares issued in exchange for the issued share capital and the net asset value of subsidiaries acquired pursuant to a Group reorganisation effected before the listing of the Company's shares on The Stock Exchange of Hong Kong Limited in 1993.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

32. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of loss from operations to net cash inflow/(outflow) from operating activities

	Group	
	2001 HK$'000	2000 HK$'000 (Restated)
Loss from operations	**(258,306)**	(817,907)
Interest income	**(1,494)**	(4,707)
Dividend income	**(363)**	(383)
Gain on early redemption of convertible notes	**(14,400)**	–
Gain on disposal/partial disposal of subsidiaries	**(24,487)**	(45,143)
Gain on deemed disposal of a subsidiary	**(85,964)**	(22,588)
Depreciation and amortisation expenses	**60,764**	45,201
Impairment losses	**245,491**	790,547
Loss on disposal/written off of fixed assets	**16,224**	140
Loss on disposal of a long term investment	**400**	–
Increase in retention monies receivable	**(7,460)**	(3,141)
Decrease/(increase) in accounts receivable	**36,785**	(51,137)
Decrease in amounts due from contract customers	**22,163**	21,186
Decrease/(increase) in inventories	**254**	(3,412)
Decrease/(increase) in prepayments, deposits and other receivables	**27,333**	(48,925)
Increase/(decrease) in accounts and bills payable, other payables, accruals and deposits received	**(5,899)**	67,766
Increase in amounts due to contract customers	**22,580**	4,691
Net cash inflow/(outflow) from operating activities	**33,621**	(67,812)

32. Notes to the Consolidated Cash Flow Statement (cont.)

(b) Analysis of changes in financing during the year

	Share capital and share premium HK$'000	Convertible notes HK$'000	Interest-bearing bank and other borrowings HK$'000	Finance lease and hire purchase contract payables HK$'000	Minority interests HK$'000
At 1 January 2000	80,179	–	44,410	872	–
Arising on acquisition of subsidiaries, businesses and elderly homes	2,133	–	35,411	22,736	175,621
Conversion of preference shares	4,899	–	–	–	–
Settlement of deferred acquisition consideration	6,635	–	–	–	–
Share of loss for the year	–	–	–	–	(20,649)
Share of exchange fluctuation reserve	–	–	–	–	176
Share of goodwill reserve	–	–	–	–	(22,394)
Issued of new shares in a listed subsidiary for the acquisition of subsidiaries	–	–	–	–	53,833
Dividend in specie paid to minority shareholders	–	–	–	–	3,355
Dividend paid to minority shareholders of a subsidiary	–	–	–	–	(2,000)
Partial disposal of subsidiaries	–	–	–	–	(70,591)
Deemed disposal of a subsidiary	–	–	–	–	(31,233)
Inception of finance lease and hire purchase contracts	–	–	–	9,939	–
Net cash inflow/(outflow) from financing	41,755	–	411,089	(6,575)	42,447
At 31 December 2000	135,601	–	490,910	26,972	128,565

32. Notes to the Consolidated Cash Flow Statement (cont.)

(b) Analysis of changes in financing during the year (cont.)

	Share capital and share premium HK$'000	Convertible notes HK$'000	Interest-bearing bank and other borrowings HK$'000	Finance lease and hire purchase contract payables HK$'000	Minority interests HK$'000
At 31 December 2000 and beginning of year	135,601	–	490,910	26,972	128,565
Arising on acquisition of certain business operations and certain business assets and liabilities	–	–	–	13,921	–
Reclassification to amount due to a group company on acquisition of a minority shareholder of a subsidiary	–	–	–	–	(447)
Issue of new ordinary shares of the Company pursuant to the Discharge Agreement – note 25	154,200	–	(154,200)	–	–
Issue of convertible notes and new ordinary shares of EHA as consideration for the acquisition of certain licence and cooperative rights	–	40,000	–	–	70,000
Issue of new ordinary shares of EHA for the acquisition of a subsidiary, certain business operations and certain business assets and liabilities	–	–	–	–	99,000
Issue of new ordinary shares of EHA for the settlement of deferred acquisition consideration	–	–	–	–	3,459
Disposal of subsidiaries	–	–	(22,912)	(36,921)	(88,677)
Deemed disposal of a subsidiary	–	–	–	–	(85,964)
Inception of hire purchase contracts	–	–	–	6,422	–
Gain on early redemption of convertible notes	–	(14,400)	–	–	–
Share of loss for the year	–	–	–	–	(125,780)
Share of exchange fluctuation reserve	–	–	–	–	(156)
Exchange realignments	–	–	–	(1,608)	–
Net cash inflow/(outflow) from financing	220,799	(25,600)	(197,181)	(8,565)	–
At 31 December 2001	**510,600**	**–**	**116,617**	**221**	**–**

32. Notes to the Consolidated Cash Flow Statement (cont.)

(c) Major non-cash transactions

(i) On 7 February 2001, the Group completed the acquisitions of certain business operations and certain business assets and liabilities of MedWeb Limited ("MedWeb") in exchange for which EHA issued 178,000,000 new ordinary shares valued at HK$0.50 per share to the vendors and the Group assumed certain liabilities of MedWeb. Further details of this acquisition are set out in a circular of the Company dated 20 December 2000.

(ii) On 30 May 2001, the Group completed the acquisition of certain licence and cooperative rights in exchange for which EHA issued 280,000,000 new ordinary shares valued at HK$0.25 per share and HK$40 million, 2.5% interest-bearing convertible notes, which are convertible into EHA shares to the vendors. Further details of the acquisition are set out in a circular of the Company dated 7 May 2001.

(iii) On 30 May 2001, the Group completed the acquisition of the entire issued share capital of iClaims21 Limited in exchange for which EHA issued 40,000,000 new ordinary shares valued at HK$0.25 per share to the vendors. Further details of this acquisition are set out in a circular of the Company dated 7 May 2001.

(iv) On 27 July 2001, the Company entered into the Discharge Agreement with the lender of the Term Loan, pursuant to which the Company issued 342,666,666 new ordinary shares valued at HK$0.45 per share to the Lender as partial settlement of the Term Loan. Further details of the Discharge Agreement are set out in notes 25 and 30 to the financial statements and in a circular and a prospectus of the Company dated 29 August 2001 and 18 September 2001, respectively.

(v) On 7 September 2001, 6,918,240 new ordinary shares of EHA valued at HK$0.50 were issued to settle the deferred acquisition consideration for the acquisition of certain business and business assets of International Research Pty Limited and its subsidiaries. Further details of the acquisition are set out in a circular of the Company dated 27 September 2000.

(vi) During the year, the Group entered into hire purchase arrangements in respect of fixed assets with a total capital value at the inception of the hire purchases of HK$6,422,000.

32. Notes to the Consolidated Cash Flow Statement (cont.)

(d) Acquisition of subsidiaries, elderly care homes, certain business operations and certain business assets and liabilities

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets acquired/(liabilities assumed):		
Fixed assets	**8,276**	187,195
Long term investments	**–**	2,807
Retention monies receivable	**–**	65,019
Cash and bank balances	**16**	92,602
Inventories	**–**	795
Accounts receivable	**–**	120,649
Amounts due from contract customers	**–**	103,498
Amount due from a subsidiary of the Group	**447**	–
Prepayments, deposits and other receivables	**1,931**	2,384
Interest-bearing bank and other borrowings	**–**	(70,984)
Amounts due to contract customers	**–**	(42,688)
Accounts and bills payable, other payables, accruals and deposits received	**(7,442)**	(132,912)
Finance lease and hire purchase contract payables	**(13,921)**	(22,736)
Amount due to a subsidiary of the Group	**(800)**	–
Tax	**–**	544
Deferred tax	**–**	(10,360)
Minority interests	**–**	(175,621)
	(11,493)	120,192
Goodwill on acquisition attributable to the Group	**128,319**	322,487
Goodwill attributable to minority shareholders	**–**	22,394
	116,826	465,073
Satisfied by:		
Cash consideration paid	**17,826**	397,015
Cash consideration payable	**–**	8,462
New shares of the Company	**–**	2,133
New shares of EHA	**99,000**	53,833
Deferred acquisition consideration	**–**	3,630
	116,826	465,073

32. Notes to the Consolidated Cash Flow Statement (cont.)

(d) Acquisition of subsidiaries, elderly care homes, certain business operations and certain business assets and liabilities (cont.)

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries, elderly care homes, certain business operations and certain business assets and liabilities:

	Group	
	2001 **HK$'000**	2000 HK$'000
Cash consideration paid	**(17,826)**	(397,015)
Cash and bank balances acquired	**16**	92,602
Bank overdrafts acquired	**–**	(35,573)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries, elderly care homes, certain business operations and certain business assets and liabilities	**(17,810)**	(339,986)

The subsidiaries, elderly care home, business operations and business assets and liabilities acquired during the year contributed HK$15,059,000 to the Group's turnover and reduced HK$569,000 of the consolidated loss after tax for the year ended 31 December 2001. These subsidiaries, elderly care home, business operations and business assets and liabilities also contributed HK$2,268,000 to the Group's net operating cash flows and utilised HK$124,000 for investing activities, but had no significant impact in respect of the net returns on investments and servicing of finance, tax and financing activities for the year ended 31 December 2001.

The subsidiaries, businesses and elderly care homes acquired in the prior year contributed HK$428,080,000 to turnover and HK$1,576,000 to the consolidated loss after tax for the year ended 31 December 2000. These subsidiaries, businesses and elderly care homes also contributed HK$2,242,000 to the Group's net operating cash flows, paid HK$3,724,000 in respect of the net returns on investments and servicing of finance and utilised HK$26,222,000 for investing activities, but had no significant impact in respect of its tax and financing activities for that year.

32. Notes to the Consolidated Cash Flow Statement (cont.)

(e) Disposal of subsidiaries

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	**222,958**	–
Long term investments	**2,807**	–
Loan receivable	**1,560**	–
Retention monies receivable	**75,620**	–
Cash and bank balances	**7,120**	–
Accounts receivable	**137,094**	–
Amounts due from contract customers	**63,312**	–
Prepayments, deposits and other receivables	**1,387**	–
Interest-bearing bank and other borrowings	**(70,923)**	–
Amounts due to contract customers	**(69,959)**	–
Accounts and bills payable, other payables, accruals and deposits received	**(168,518)**	–
Finance lease and hire purchase contract payables	**(36,921)**	–
Tax	**47**	–
Deferred tax	**(13,440)**	–
Minority interests	**(88,677)**	–
	63,467	–
Exchange fluctuation reserve released on disposal	**(763)**	–
Gain on disposal of subsidiaries	**24,487**	–
Consideration*	**87,191**	–
Satisfied by:		
Cash	**87,191**	–

* *The consideration received was net of incidental costs of disposal totalling approximately HK$809,000, comprising primarily of legal and professional fees, which were satisfied by cash.*

32. Notes to the Consolidated Cash Flow Statement (cont.)

(e) Disposal of subsidiaries (cont.)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	Group 2001 HK$'000	Group 2000 HK$'000
Cash consideration received	**87,191**	–
Cash and bank balances disposed of	**(7,120)**	–
Bank overdrafts disposed of	**48,011**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**128,082**	–

The subsidiaries disposed of during the year contributed HK$312,007,000 to the Group's turnover and HK$40,181,000 to the consolidated loss after tax for the year ended 31 December 2001. These subsidiaries disposed of contributed HK$65,722,000 to operating cash flows, paid HK$2,727,000 in respect of net returns on investments and servicing of finance, paid HK$324,000 for tax and utilised HK$38,152,000 for investing activities and HK$17,011,000 for financing activities.

33. Contingent Liabilities

(a) At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company 2001 HK$'000	Company 2000 HK$'000
Guarantees given in connection with tenancy agreements entered into by subsidiaries	**53,852**	44,580
Guarantees given to banks in connection with banking facilities granted to subsidiaries	**118,557**	120,000
	172,409	164,580

(b) As at 31 December 2000, certain subsidiaries of the Company engaged in the ground engineering and building construction businesses were involved in legal proceedings or claims against them in the ordinary course of their respective business activities. The aggregate amount of claims, including estimated legal costs, resulting from such contingent liabilities was approximately HK$5,023,000 as at 31 December 2000. These contingent liabilities were disposed of by the Group upon the completion of the disposal of KWC BVI on 8 May 2001, as further detailed in note 6 to the financial statements.

34. Operating Lease Arrangements

(a) As lessor

The Group leases certain of its properties for sale (note 21) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 4 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group 2001 HK$'000
Within one year	**269**
In the second to fifth years, inclusive	**243**
	512

(b) As lessee

The Group leases certain of its clinics, office premises and elderly care homes under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 6 years and rentals are normally fixed in accordance with the respective tenancy agreements and no arrangements have been entered into for contingent rental payments.

At 31 December 2001, the Group and the Company had commitments under non-cancellable operating leases to make payments as set out below:

	Group		Company	
	2001 HK$'000 (note (i))	2000 HK$'000 (note (ii))	**2001 HK$'000 (note (i))**	2000 HK$'000 (note (ii))
Land and buildings expiring:				
Within one year	**66,895**	13,122	**780**	65
In the second to fifth years, inclusive	**103,226**	35,201	**65**	–
After five years	**113**	3,000	**–**	–
	170,234	51,323	**845**	65

34. Operating Lease Arrangements (cont.)

(b) As lessee (cont.)

Notes:

(i) Being total future minimum lease payments, analysed into the periods on which the payments are to be made.

(ii) Being minimum lease payments payable in the next twelve months, analysed into the periods in which the leases expire.

35. Commitments

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments at the balance sheet date:

Capital commitments

	Group	
	2001 HK$'000	2000 HK$'000
Capital commitments for the acquisition of fixed assets contracted, but not provided for	–	57,276
Capital commitments for the acquisition of certain business operations and certain businesses assets and liabilities contracted, but not provided for	–	89,000
Capital commitments for the investments in subsidiaries authorised, but not contracted for	–	125
	–	146,401

At the balance sheet date, the Company did not have any significant commitments (2000: Nil).

36. Related Party Transactions

In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(i) During the year, an independent non-executive director of the Company, Ronald Carstairs was the managing director of Dah Sing Financial Holdings Limited. During the year, the Group placed certain deposits with Dah Sing Bank Limited, a subsidiary of Dah Sing Financial Holdings Limited and thereby earned interest income of approximately HK$208,000 (2000: HK$1,523,000) at prevailing bank deposit rates. In addition, certain bank and factoring loans were drawn from Dah Sing Bank Limited, with interest rates ranging from Hong Kong Interbank Offering Rate plus 1% to Hong Kong dollar prime rate plus 1.5% per annum. Interest expense of approximately HK$6,037,000 was incurred during the year in respect thereof (2000: HK$7,781,000).

(ii) During the year, the Group carried out construction work amounting to approximately HK$30,713,000 (2000: HK$17,063,000) for certain related companies, in which certain then directors and/or then beneficial shareholders of certain subsidiaries during the year are directors and/or beneficial shareholders of those companies. In the opinion of the directors, the construction work for the related companies was carried out at prices determined on the cost plus a percentage mark-up basis.

(iii) As detailed in note 6 to the financial statements, on 26 March 2001, EHA entered into a conditional agreement with New Luck Assets Limited ("New Luck") in relation to the disposal of KWC BVI for a cash consideration of HK$88 million. New Luck was 86.05% owned by Chinney Investments, Limited ("Chinney") and 13.95% owned by Zuric Yuen Keung Chan ("Mr Chan"), a then director of EHA, both of whom are beneficial shareholders of KWC BVI. On the same date, the Company, the Warrantors (Chinney, Mr Chan and Johnny Yu), EHA, Chinney Contractors Company Limited ("CCC") and the custodian of a custodian account entered into a supplemental deed pursuant to which the Company unconditionally agreed that, subject to the completion of the disposal of KWC BVI and the approval of the Company's independent shareholders, all monies amounting to HK$89,999,999 (plus accrued interest) be released to the Warrantors from a custodian account. CCC was 77.11% owned by Chinney, 12.5% by Mr Chan and 10.39% by Johnny Yu who is also a director of KWC BVI. James Wong (a director of KWC BVI and a former director of EHA up to his resignation on 27 July 2000) has a significant beneficial interest in Chinney, which is the holding company of New Luck. Further details of these transactions are set out in a circular of the Company dated 17 April 2001.

37. Post Balance Sheet Events

(a) In January 2002, a conditional rights issue by EHA of 147,441,724 rights shares of EHA of HK$0.01 each at HK$0.25 per rights share on the basis of one rights share for every two shares of EHA was completed. The Company has, through an indirect subsidiary, taken up 79,248,654 rights shares. Immediately after the rights issue, the Company was beneficially interested in 237,745,963 shares of EHA, representing approximately 53.75% of the enlarged issued share capital of EHA. The net proceeds of the rights issue of approximately HK$35 million were used for part repayment of the Revolving Loan owed to the Company of approximately HK$20 million and the repayment of the financial institution loan of approximately HK$15 million. Further details of the rights issue by EHA are set out in a circular of the company dated 10 December 2001.

(b) On 11 February 2002, EHA entered into a disposal agreement (the "Disposal Agreement") with Group Success Enterprises Limited (the "Purchaser") in relation to the disposal of the entire issued capital of a subsidiary, Top Quality Global Inc, and an assignment to the Purchaser of all the rights to the repayment of an aggregate outstanding loan of HK$14,451,763 owed by Top Quality Global Inc to the Group for an aggregate cash consideration of HK$8 million to be settled in two tranches payable on 12 February 2002 and 13 May 2002. The disposal was completed in February 2002. Further details of the disposal are set out in a circular of the Company dated 8 March 2002.

At the date of the approval of these financial statements, the Group is unable to estimate the gain or loss on disposal of Top Quality Global Inc with reasonable accuracy.

(c) Subsequent to the balance sheet date, the Company repurchased certain of its own shares through The Stock Exchange of Hong Kong Limited as further described in note 30 to the financial statements.

38. Comparative Amounts

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

39. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 18 April 2002.