

I am pleased to submit to shareholders the Company's first Annual Report since my appointment as Executive Chairman.

本人欣然向各位股東提呈自獲委任為本公司執行主席後的首份公司年報。



2003 was a year of change and challenge for the Company. On 17 December 2002, Sun Hung Kai & Co. Limited, through a wholly owned subsidiary, acquired approximately 28.5% of the shares in the Company from interests associated with Mr. Brian O'Connor. Subsequently, a takeover offer instituted by Caduceus Medica Limited, a company associated with Dr. Nelson Wong Chi Kit and the late Mr. Ronald Carstairs, both ex-Directors of the Company, generated a period of some instability within the Company. The offer was not successful.

Following the bid and the untimely death of Mr. Carstairs, the Board was restructured. We express our condolences to Mr. Carstairs's family and the Company's appreciation for his contribution. I was appointed Executive Chairman on 18 March 2003. The new Board and management confirmed its commitment to the development of the Company's profitable core businesses in Hong Kong.

The impact of Severe Acute Respiratory Syndrome ("SARS") was an immediate challenge to the new Board, management, and indeed to the entire Company. I would like to again record our appreciation to the entire staff for the dedication and ultimate success achieved in meeting the challenge both at a personal and professional level. Our Group was proactive in the early introduction of infection control procedures under the guidance of our Medical Standards and Compliance Committee. Our efforts were rewarded and although we handled a number of suspected SARS cases, none of our staff was infected.

對本公司而言，二零零三年是充滿變化和挑戰的一年。於二零零二年十二月十七日，新鴻基有限公司透過其全資附屬公司向與Brian O'Connor先生有關聯的公司購入本公司約28.5%的股份。其後，本公司前董事黃自傑醫生及已故Ronald Carstairs先生有關聯的公司Caduceus Medica Limited所提出之收購建議為本公司帶來一段不甚穩定的時期。該收購建議最終未能成功。

繼收購建議被提出及Carstairs先生逝世後，董事會已進行重組。我們向Carstairs先生的家人致以深切慰問，並衷心感激其對本公司所作出的貢獻。本人於二零零三年三月十八日獲委任為執行主席。新董事會及管理層致力發展本公司於香港的有盈利核心業務。

嚴重急性呼吸系統綜合症（「非典型肺炎」）之爆發，對新董事會、管理層以至本公司整體均構成直接挑戰。對於本集團全體員工個人及專業層面上的無私奉獻，最終得以排除萬難，本人謹此再一次衷心致謝。本集團率先在醫療標準監察委員會的帶領下，實施控制感染程序。儘管我們曾處理多宗懷疑非典型肺炎個案，但由於所採取的有關措施奏效，並無員工受到感染。

SARS also presented a substantial challenge to the Group from a business perspective. We were faced with a sustained reduction in attendances at our clinics as well as increased costs. Occupancy levels at our elderly care facilities were also impacted. These issues adversely affected our profit performance during the first half of the year. Fortunately however, as the spectre of SARS receded, attendance levels increased and our second half financial performance has been very rewarding. The Groups' annual results were also adversely impacted in the first half by non-recurrent costs associated with the unsuccessful takeover bid and corporate restructuring.

The Group is now consolidating its gains and is concentrating on developing its core businesses and reputation both as a quality provider of integrated healthcare services and as a third party administrator for the provision of diversified corporate healthcare.

FINANCIAL REVIEW

- (i) Following the turnaround in 2002, the Group delivered a net profit of HK\$24.4 million in 2003. Net profit for 2002 was HK\$54.1 million after incorporating a gain of HK\$37.1 million on disposal/deemed disposal of discontinued operations. Basic earnings per share for 2003 was HK11.3 cents compared to HK25.0 cents in 2002 as restated. This result was particularly pleasing in view of the fact that the unaudited net profit to 30 June 2003 was only HK\$4.4 million, having been severely impacted by SARS, the costs associated with the takeover bid and restructuring costs. The divisional profit for Quality HealthCare Medical Services ("QHMS") was mainly responsible for this turnaround (see under "Operations" below).
- (ii) Turnover for the Group in 2003 increased by 0.9% to HK\$743.5 million from the turnover from continuing operations of HK\$737.1 million in 2002 as a result of an increase in the number of corporate contracts.

本集團業務在非典型肺炎的衝擊下面對嚴峻挑戰。旗下各醫療中心的求診人數持續下降，成本上升，護老院入住率亦因此備受影響，對本集團上半年度的盈利表現造成打擊。幸好隨著非典型肺炎疫潮退卻，醫療中心求診人數回升，下半年度之財務業績表現十分理想。本集團之全年度業績亦受到上半年度涉及被提出收購及公司重組之非經常性費用而有所影響。

本集團現正鞏固收益，專注發展核心業務及本身聲譽，成為綜合保健服務內優質供應機構，並同時成為為企業客戶提供多元化保健服務的第三者管理機構。

財務回顧

- (i) 繼二零零二年轉虧為盈後，本集團二零零三年錄得純利24,400,000港元。經併入出售／被視作出售已終止經營業務的37,100,000港元收益後，二零零二年純利為54,100,000港元。二零零三年每股基本盈利為11.3港仙，二零零二年為25.0港仙(重列)。在非典型肺炎疫情、收購建議相關費用及重組費用嚴重影響之下，截至二零零三年六月三十日止的未經審核純利僅為4,400,000港元，有鑒於此，本期錄得業績令人倍感欣喜。業績好轉主要歸功於卓健醫療服務錄得之分部溢利(見下文「業務」)。
- (ii) 由於企業合約數量增加，二零零三年本集團錄得營業額達743,500,000港元，較二零零二年持續經營業務錄得的737,100,000港元營業額上升0.9%。

(iii) Profit before tax was HK\$33.4 million in 2003 compared to profit before tax from continuing operations of HK\$20.4 million in 2002. The Group experienced non-recurring expenses of HK\$9.6 million in 2003, in relation to the professional fees incurred with respect to the takeover offer made by Caduceus Medica Limited and corporate restructuring expenses. Notwithstanding that, both QHMS and Quality HealthCare Services ("QHS") showed a substantial improvement in operating profit. QHMS delivered a divisional profit growth of 20% reaching HK\$50.0 million in 2003. Divisional profit for QHS was HK\$3.8 million, an increase of 108% over the prior year.

(iv) In light of the improvement achieved in 2003, the Board has recommended a final dividend of HK2.25 cents per share.

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Finance costs of the Group decreased from HK\$5.3 million in 2002 to HK\$1.4 million as a result of the reduction in borrowings from HK\$67.1 million at 31 December 2002 to HK\$8.0 million at 31 December 2003.

Net cash inflow from operating activities for the year was HK\$46.5 million (2002 : HK\$39.1 million). Cash and bank balances at 31 December 2003 were HK\$59.0 million (2002 : HK\$89.8 million). The Group achieved a net cash position at 31 December 2003 of HK\$51.0 million (2002 : HK\$22.7 million).

Net assets at 31 December 2003 increased to HK\$107.8 million from HK\$93.8 million at 31 December 2002.

(iii) 二零零三年除稅前溢利為33,400,000港元，二零零二年持續經營業務則錄得除稅前溢利20,400,000港元。二零零三年本集團就有關Caduceus Medica Limited所提出收購建議涉及的專業費用及有關企業重組錄得非經常性開支9,600,000港元。儘管如此，卓健醫療服務及卓健綜合保健服務的經營溢利均有重大改善。卓健醫療服務於二零零三年的分部溢利增長20%，達50,000,000港元。卓健綜合保健服務的分部溢利則為3,800,000港元，較去年度增長108%。

(iv) 鑒於二零零三年業績持續改善，董事會建議派發末期股息每股2.25港仙。

由於本集團債務由二零零二年十二月三十一日約67,100,000港元減少至二零零三年十二月三十一日的8,000,000港元，令融資費用由二零零二年約5,300,000港元下降至1,400,000港元。

本年度經營業務現金流入淨額為46,500,000港元(二零零二年：39,100,000港元)。二零零三年十二月三十一日現金及銀行結餘為59,000,000港元(二零零二年：89,800,000港元)。本集團於二零零三年十二月三十一日錄得淨現金結餘51,000,000港元(二零零二年：22,700,000港元)。

二零零三年十二月三十一日的淨資產由二零零二年十二月三十一日的93,800,000港元增加至107,800,000港元。

OPERATIONS

Quality HealthCare Medical Services ("QHMS")

Notwithstanding the impact of SARS, the restructuring of the Group and the acquisition of additional corporate clients produced satisfactory results for our core medical and healthcare services. QHMS posted a 20% increase in divisional profit from slightly increased turnover compared to the previous year. This slight increase in turnover was achieved from an increased number of corporate contracts. The increase in the divisional profit notwithstanding the marginal increase in turnover was achieved through corporate restructuring, rigorous cost control and detailed attention to any non-profitable areas. The improvement in the second half of the year was particularly pleasing.

The Group's range of Life Enhancement Services, initially introduced to our clients in 2002, continued to produce encouraging results for the division in 2003. Additional services such as Sleep Study have been launched and it is our intention to provide additional medical specialty services in Hong Kong.

During the year, the Group initiated a continuous auditing program for our core medical centres and our affiliate networks with a view to enhancing the quality of our services. In addition, a refurbishment program for our prime medical centres was commenced in 2003 in order to improve patient comfort and staff work environment.

Our co-operation with the insurance industry continued to expand in 2003, resulting in the development of specialized products specifically for women, children, and the elderly. We are also cooperating with travel agencies to service the potential new market of medical tourism.

Quality HealthCare Services ("QHS")

This Division achieved an impressive 108% increase in divisional profit from a 8% growth in turnover. With our network of 12 physiotherapy centres and the footcare centre in full operation, Physiotherapy has been able to deliver a steady profit from its corporate programs as well as its innovative and individualized preventive care programs. Whilst slightly affected by a decrease in hospital patients, Nursing continued to deliver

業務

卓健醫療服務

儘管受到非典型肺炎疫情影響，本集團業務經重整，加上成功簽訂更多企業客戶合約，俱為我們的核心醫療保健服務締造理想佳績。由於企業合約數目增加，卓健醫療服務錄得的分部溢利較去年增長20%，營業額則微升。縱然營業額增幅輕微，我們透過企業重整、嚴格控制成本以及悉心處理無盈利的業務範疇，成功取得分部溢利增長。下半年度業績有所改善令人倍感欣喜。

本集團於二零零二年首度向客戶推出一系列的「提昇優質生活服務」，在二零零三年繼續為該部帶來理想業績。新增服務包括睡眠研究等現已推出，我們並計劃在香港提供更多專科醫護服務。

年內，本集團就旗下核心診所及聯屬網絡開展一項持續稽核計劃，旨在不斷提升服務質素。此外，我們亦於二零零三年展開旗下重點診所的翻新工程，為病患者提供更舒適服務，並為員工締造更優越的工作環境。

於二零零三年，我們繼續擴大與保險業界的合作，開發了分別針對婦女、孩童及長者的專科產品。我們亦正與旅行社合作，掌握旅遊醫療的發展潛力，向有關新市場提供服務。

卓健綜合保健服務

卓健綜合保健服務的分部溢利錄得可觀增長，達108%，營業額上升8%。旗下十二間物理治療中心及足部護理中心全面運作，卓健物理治療的企業客戶計劃以及創新的個人化預防性保健計劃繼續有穩定的溢利貢獻。儘管因住院病人數目減少而略受影響，卓健護理透過多元化服務以及與保險公司合作的新輔助醫療計劃，溢利維持穩定。在

a steady profit through its variety of services and new paramedical programs with insurance companies. Dental, though challenged by the impact of SARS during the second quarter, continued to deliver a steady performance and enjoyed significant growth in the number of clients receiving the range of cosmetic dental work available at its eight clinics.

Quality HealthCare Elderly Services ("QHES")

This Division continued to deliver a positive operating cash flow and Earnings Before Interest, Tax, Depreciation and Amortization ("EBITDA") in 2003. Operating losses increased due to a drop in average occupancy as a result of the continued impact of SARS on the elderly care industry, the phase one reduction in Comprehensive Social Security Assistance and the overall economic circumstances. The Division is determined to reverse this adverse situation through focused local marketing, intense negotiation with landlords for rental reduction, and the ongoing delivery of high standards of care to all residents with a view to setting industry benchmarks for service standards.

FURTHER DEVELOPMENT AND GROWTH INITIATIVES

The Group is presently focusing on two separate but integrated elements.

Further Development of Existing Services

The Group recognizes that its extensive range of core medical centres, its wide reaching affiliate network, its mature administrative structures, and its loyal and professional staff supporting its existing contractual arrangements with its corporate clients are its core assets. The Group's entire range of services will be continually reviewed with the aim of improving quality and market suitability of both professional and administrative services. We will enhance our auditing and quality assurance programs in order to further these aims.

We are also undertaking initial staff training programs and are planning the implementation of an integrated training platform for all staff.

Ongoing improvement programs for all facilities are being developed and initial works have been commenced.

第二季面對非典型肺炎衝擊下，卓健牙科業績表現仍然穩定，旗下八間診所提供的牙科美容服務更廣受歡迎，客戶量大增。

卓健護老服務

卓健護老服務於二零零三年繼續錄得正經營業務現金流量以及未計利息、稅項、折舊及攤銷前盈利（「EBITDA」）。在非典型肺炎持續打擊護老行業、第一階段削減綜合社會保障援助金及整體經濟環境這三重因素影響之下，護老院平均入住率下降，經營虧損增加。為改善業績，卓健護老服務決定透過多項措施，包括集中的區內推廣活動、積極與業主磋商減租，以及繼續為全體院友提供優質護理服務，以樹立業內的服務標準典範。

進一步發展及推動增長

本集團現正專注於兩個獨立而又互為一體的發展方針。

持續發展現有服務

本集團深明，其一應俱全的核心醫療中心、無遠弗屆的聯屬網絡、健全的行政架構，以及忠誠的專業人員隊伍，是取得現有合約安排的關鍵所在，而企業客戶就是我們的核心資產。本集團將會不斷檢討旗下全線服務，致力提升專業及行政服務質素，迎合市場需要。我們亦會增強稽核及質量保證計劃，以進一步落實上述目標。

此外，我們正進行初步的員工培訓計劃，並計劃為全體員工建立綜合培訓平台。

我們正在制訂各項設施的持續改善計劃，初步工作已經展開。

Chairman's Statement 主席報告

We will continue to focus on cost reductions where possible, particularly on achieving rent reductions in our elderly homes.

The Group is also reviewing its IT infrastructure with a view to improving efficiency and service capability as well as reducing costs.

We also intend to direct attention to improving our third party administrative capacity in order that we are better able to provide corporate clients with advice and service capability in relation to their provision of staff medical and related services.

Growth Initiatives

The Group will in addition pursue growth opportunities in a number of areas.

Marketing programs for our services are under review and improvements are being implemented.

We will continue to improve, develop and expand our range of life enhancement and consumer products and programs. We have opportunities in this area to provide medically supervised programs of a high standard.

We believe that we also have opportunities to improve our network of specialist professionals and to develop centres of excellence in certain areas. We will examine any opportunities for acquisitions as well as organic growth strategies.

As we further develop our competence in scheme management, we will seek to expand our reach in this area.

In regard to expansion outside Hong Kong, the introduction of the Closer Economic Partnership Arrangement has acted as a catalyst and the Group has been presented with an increasing number of opportunities for partnerships and proposals to enter the China market. We will continue to study this market carefully in the coming year in order to identify suitable strategic partners and create a sound platform for entry at the appropriate time.

我們將會繼續致力減省成本，特別是要為旗下護老院舍爭取減租。

本集團亦正在檢討本身的資訊科技基建設施，旨在提高效率及服務能力，並同時減省成本。

我們亦計劃專注提升本身作為第三者管理機構的能力，以便能就企業客戶所提供的員工醫療及相關服務給予意見及提供服務設施。

實現增長

本集團將會在其他多個範疇進一步尋求增長機會。

我們現正檢討旗下服務的推廣計劃並進行改善。

我們會繼續改善、發展及擴闊「提昇優質生活服務」及消費產品和計劃的類別。亦已掌握此方面的商機，提供由醫生主導的優質醫療服務計劃。

我們相信，本集團仍有空間繼續網羅不同方面的專家及發展卓越水平的專科醫療中心。我們將會審慎研究任何收購機會及研究自然增長策略。

我們不斷加強在計劃管理方面的能力，並會尋求擴展在此方面的業務網絡。

有關拓展香港以外業務方面，更緊密經貿關係安排正好發揮催化作用，本集團瞬即把握源源不絕的契機，透過合夥關係及業務計劃進軍中國市場。在未來一年，我們將會繼續審慎研究內地市場，以物色合適的策略夥伴，建立穩健的平台，準備就緒，以便於適當時機進軍中國市場。

PUBLIC SECTOR OPPORTUNITIES

The Group has actively participated in the past year in consultations and public forums regarding public private partnership in the future. The Group is well positioned to benefit from any Government initiative to outsource to the private sector. Quality assurance in the private sector, one of the key concerns for the Government, is already an integral part of the culture at Quality HealthCare, supervised by our Medical Standards Compliance Committee. We continue to encourage the Government to challenge the private sector and take the necessary steps towards public private partnership as soon as practicable in the interests of improving the quality, range, availability and cost of medical and related services to the public.

PEOPLE

The Group has a commitment to invest in our staff through continuing training, education, and career development. Our aim is to provide our staff with a clear and rewarding career path and a work environment in which they can contribute to the Group by providing the highest standards of service possible to all the Group's clients and patients.

DIVIDEND POLICY

As mentioned earlier, the Board has recommended a final dividend of HK2.25 cents per share. This represents approximately 20% of the year's net profit after tax. This level of dividend has been considered to be appropriate in the present circumstances.

COMMUNITY OBLIGATIONS

The Group recognizes that as a major provider of healthcare services in Hong Kong, it must accept a fundamental obligation to the wider community as well as its clients and patients, its staff and its shareholders. It is our intention to honour this obligation both in the manner in which we provide our services and in such other contexts as we identify as appropriate for our Group. I am pleased to be able to report that the Group participated in a number of community programs in 2003 including Pink Revolution Day organized by Hong Kong Cancer Fund and Operation Santa Claus organized by South China Morning Post and Radio Television Hong Kong.

We will continue these initiatives in the future.

公共保健服務機遇

過去一年，本集團積極參與有關日後公營/私營夥伴計劃的諮詢及公開論壇。本集團正處於有利位置，以把握政府向私營界別實施外判政策所帶來的利益。政府甚為關注的私營醫療服務之品質管制，在醫療標準監察委員會督導之下，早已成為卓健醫療保健集團整體公司文化重要的一環。我們繼續鼓勵政府向私營界別外判醫療工作，並採取必要行動促請私營界別盡快組成公眾/私營夥伴關係，致力提升公眾醫療及相關服務質素、拓展類別、加強服務渠道及減輕市民的負擔。

僱員

本集團一直致力透過持續培訓、教育及職業培訓，裝備優秀人才。我們旨在為員工提供清晰而可觀的事業發展前景，締造理想工作環境，激勵他們向集團客戶及病人悉心提供最頂尖水平的服務，全心全意為集團貢獻每分力量。

股息政策

正如前文所述，董事會已建議派發末期股息每股2.25港仙。是項股息相當於本年度除稅後純利約20%。董事會認為上述股息水平就當前情況而言乃屬恰當。

社會責任

作為香港保健服務的主要供應機構，本集團深明其必須肩負基本責任，為廣大社群以至其客戶及病人、員工及股東作出貢獻。本集團計劃透過所提供服務的方式以及認為適合參與的其他途徑，履行上述責任。本人欣然報告，於二零零三年，本集團曾參與連串公益活動，包括香港癌症基金會舉辦的「粉紅革命日」活動，以及南華早報與香港電台合辦的「聖誕老人愛心大行動」。

我們日後會繼續參與此等善舉。

OUTLOOK

The Group through its past efforts has developed a solid foundation upon which further growth can be constructed.

The Group enjoys financial stability, a dedicated and professional staff and a strong customer base. With careful management, I believe the Group can continue to grow and prosper and deliver appropriate rewards for its shareholders.

I would like to take this opportunity of thanking each and every one of our staff for their contribution and effort during the past year, particularly during the SARS crisis. I look forward to their continuing support in delivering a standard of excellence to our clients that will enable the Group's services to be universally recognized as true "Quality".

I would also like to thank my fellow Directors, our affiliated Doctors, our professional advisors and our shareholders for their support during the year.

Arthur George Dew
Executive Chairman

Hong Kong, 22 March 2004

展望

本集團過去不斷努力，為業務的發展前景奠定壯實根基。

本集團具備穩固財政、熱誠投入的專業人員及強大的客戶基礎。在悉心管理之下，本人深信，本集團定可繼續茁壯成長，為股東帶來適當回報。

對於本集團全體員工在過去一年，尤其是在非典型肺炎肆虐期間的無私奉獻及努力，本人謹藉此機會逐一衷心致謝。本人期望他們能繼續協助本集團發揮最優秀的服務水平，令本集團所提供之「卓越」服務得到廣泛的認同。

對於董事會全人、各聯屬醫生、專業顧問及全體股東年內的鼎力支持，本人亦謹此深表謝意。

執行主席
狄亞法

香港，二零零四年三月二十二日