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Quality HealthCare Asia Limited **卓健亞洲有限公司***

(Incorporated in Bermuda with limited liability)

(Stock Code: 593)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR 2008

CHAIRMAN'S STATEMENT

I am pleased to present the annual results of Quality HealthCare Asia Limited (the "Company") and its subsidiaries (collectively the "Group") for the year 2008 to our shareholders. The Group has achieved growth in both revenue and net profit for the reporting period, notwithstanding the serious decline in economic conditions. Our positive performance results from our cautious strategic program and the strong contribution from our management and staff as well as the defensive nature of our businesses.

Financial Review

- (i) The Group delivered a net profit of HK\$64.5 million in 2008, a 2.0% growth compared to HK\$63.2 million in 2007. The profit growth was achieved despite the absence of gain on disposal of an associate of HK\$2.5 million recorded in 2007 and the reduction in bank interest income from HK\$8.8 million in 2007 to HK\$3.8 million in 2008. Basic earnings per share for 2008 were HK27.2 cents compared to HK26.6 cents in 2007.
- (ii) Revenue for the Group in 2008 increased by 12.9% to HK\$1,070.0 million from HK\$947.7 million in 2007.
- (iii) Profit before tax was HK\$75.2 million in 2008 compared to HK\$71.6 million in 2007. Quality HealthCare Medical Services ("QHMS") delivered divisional profit of HK\$63.4 million in 2008, and Quality HealthCare Services ("QHS") delivered divisional profit of HK\$9.6 million. QHMS and QHS recorded increases in divisional profits of 15.5% and 42.9% respectively compared with 2007. Divisional profit for Quality HealthCare Elderly Services ("QHES") was HK\$6.5 million, a decrease of 17.7% compared with 2007.

Finance costs of the Group amounted to HK\$62,000 for the year.

Net cash inflow from operating activities for the year was HK\$101.6 million (2007: HK\$63.8 million). Cash and bank balances at 31 December 2008 were HK\$230.0 million (2007: HK\$240.1 million).

Net assets at 31 December 2008 was HK\$304.2 million compared to HK\$307.4 million at 31 December 2007.

Repurchase of Shares

Funds amounting to HK\$20.8 million were expended during the year on the repurchase of 9,061,489 shares of the Company in order to take advantage of the reduced prices of the Company's shares; consequently earnings per share were enhanced. The Company will continue to repurchase shares as and when it considers appropriate.

Operations

Quality HealthCare Medical Services

In 2008, QHMS achieved growth in revenue from sales to external customers of 14.5%, and growth in divisional profit of 15.5% resulting from a combination of organic growth and the ongoing development of our healthcare administrative services, specialist care, and other business lines addressing the specific needs of the clients. QHMS also continued to expand its corporate client portfolio through strategic business development initiatives and achieved an approximately 6% growth in the total number of corporate clients enrolled.

QHMS's medical network was further expanded in size as well as in the range of specialties and service categories. QHMS acquired GHC Medical during the year and thereby expanded its network presence into the New Territories enabling the strengthening of our community medicine offerings to the general public.

We continued to expand our capability and capacity in our Third Party Administration operations to meet the demands of a growing number of clients in Hong Kong and Mainland China. Resources have also been dedicated to enhancing medical aesthetic services and establishing a core team to focus on business development and management of service delivery.

We also continued to optimise our internal processes and to enhance service delivery through various IT initiatives, including the introduction of our electronic medical record system to our medical centres, and developing paperless solutions for transaction reconciliations and streamlining approval and billing processes for our key insurance partners. A robust intranet system has been developed to enhance communication within the Group as an effective knowledge management platform assisting staff in their daily work processes.

In 2008, approximately 6,000 training hours were provided to 696 participants pursuing training in clinical areas, management, language and computer skills. Special training programs in regard to customer service issues were also designed to enhance our customer care. We are pleased to record a steady increase in the number of compliments our staff has received from our clients in recognition of their dedication and the high standard of care delivered as well as a long term decline in the number of complaints.

During our annual customer satisfaction survey, we interviewed over 3,000 clients at our medical centres, of which approximately 65% had used our services for over 5 years. Approximately 97% of the interviewees commented that they would use our services again in future. We are encouraged by the positive feedback and loyalty of our clients.

Quality HealthCare Services

QHS achieved growth of 12.1% in revenue from sales to external customers, and growth of 42.9% in divisional profit in 2008. The strategic expansion and upgrading of the division's facilities undertaken both in the previous and the current year, coupled with the steady business growth, has significantly improved output efficiency.

Nursing continued to deliver improvement in 2008 with all-round growth in its various lines of services, especially in the placing of relief staff in hospitals and elderly homes. It also experienced continued growth in the demand for local transfer and cross border repatriation services. Dental further expanded its facilities as well as the scope of specialist services particularly in the area of implant dentistry. Physiotherapy expanded and upgraded one of its centres and continued to expand its core network with the addition of a new centre in the Causeway Bay area. With more corporations recognising the benefits of having sound office ergonomics, our physiotherapists provided an increased number of onsite occupational health and safety evaluation services for our clients in Hong Kong and China. Eye Centre was relocated to the Mongkok area to both reduce costs and provide a more convenient location for clients from the Kowloon and New Territories areas, and continued to deliver a full range of ophthalmic care. Psychological services continued to grow in its corporate enrolment for the Employee Assistance Program in Hong Kong and Macau, and also experienced an increase in the demand for individual counselling.

Quality HealthCare Elderly Services

Despite a slight increase of 0.5% in revenue from sales to external customers in 2008 compared to the prior year, QHES recorded a drop of 17.7% in divisional profit. The Government bought an additional 40 bed places from two of our homes during the year and accordingly the division is now providing 367 bed places to the Government under the Social Welfare Department's Enhanced Bought Place Scheme ("EBPS"). QHES is capable of serving more residents under the EBPS.

Growth and Development Initiatives

We believe that the Group has established both sound infrastructure and a sound management team that understands the market's needs and has the experience and dedication to secure continuing growth of the Group over the longer term.

Quality HealthCare believes that additional relaxation of advertising restrictions for the medical profession would allow the general public much easier access to relevant information. We continue to enhance communications with all our stakeholders in order that they are aware of new developments in the Company and the diversified range of services we offer in health and wellness.

We will continue our initiatives to work with our business partners in enhancing transactional efficiency and developing a wider range of services to enhance the wellbeing of our clients. Additional resources will be allocated to prepare ourselves to serve the needs of different market segments, including inbound clients from China. We have developed a strategy for further growth of our medical network in Hong Kong, and the management team will continue to search for opportunities for expansion or acquisition in Hong Kong, Macau, China and elsewhere.

Public Sector Opportunities

The Group was pleased to participate in the Influenza Vaccination Subsidy Scheme (“IVSS”) announced in July 2008 and the Elderly Health Care Voucher Pilot Scheme (“HCVS”) announced by the Chief Executive in the 2007-08 Policy Address. Under the IVSS, eligible children can obtain vaccination service from private doctors at Government subsidised fee levels. Under the HCVS, elders aged 70 or above are provided five health care vouchers of HK\$50 each to partially subsidise their use of private primary healthcare services.

We expect that the Government may continue to expand on these and other initiatives, and we look forward to further opportunities to work with the Government in addressing the needs of the Hong Kong society and in the development of sustainable healthcare financing. The Group is prepared for further public private initiatives, such as establishing our electronic medical record system.

People

The Group is proud to congratulate the 45 awardees for 10-year, 15-year, 20-year and 25-year Long Service Awards, and the 59 Service Ambassadors awardees. Six of our medical centres, one dental and one physiotherapy centre were recognised as Centres of Excellence, while six medical centres received Centre Service Improvement Awards. We congratulate all our awardees for their excellent benchmark achieved.

The Group appreciates the contribution from each and every one of our staff in realising our vision that, by providing quality health and wellness services, we help to create a healthier Hong Kong and allow its citizens to experience the rewards of wellness throughout their lives. Equally important is the wellbeing of our own staff and we try to promote a good work-life balance. In 2008, we have arranged a series of activities and events for our staff and families in which to participate, including a day trip to the farm in September and Sports and Games Carnival in November. Besides providing training to enhance work skills, interest classes such as Funky Dance Classes have also been organised for our staff.

Dividend Policy

The Board has reviewed and endorsed its current dividend policy of paying approximately 40% of after tax profits as dividend, and has resolved to recommend a final dividend of HK11.25 cents per share. The Board will continue to adopt an ongoing dividend policy, which it considers appropriate to the Group's overall financial position.

It should also be noted in relation to the dividend policy that HK\$20.8 million has been expended during the year on share repurchases.

Community Obligations

In 2008, our staff actively participated in the Group's community projects, including Walk Up Jardine House, Heart-to-Heart Charity Walk organised by the Children's Heart Foundation, and charity sales for Oxfam. We have also supported a charitable organisation "Bring Me A Book" in setting up a "Large Bookcare Library" for SoCo Community Learning Centre in Shamshuipo. Donations were given to the Po Leung Kuk, Ronald McDonald House Charities Hong Kong Limited, the Hong Kong Cancer Fund, International Care Ministries Limited, and St. James Settlement Feeding Program. A total of over HK\$230,000 in contributions was distributed. Some of our staff have also contributed through volunteer work in Szechuan following the earthquake to help the victims with their professional knowledge and skills, and to provide training for the local healthcare professionals for more sustainable care.

We are pleased to have received People Site Certification from the Asia Pacific Customer Consortium in recognition of our Customer Services Department's commitment in striving for service excellence through continuous improvement and dedication. We have also received a Quality Health Service Centre Award in the Quality Life Award Ceremony of the Lisa Magazine in 2008.

Outlook

The Group during 2008, has further strengthened its position in the private healthcare market in Hong Kong, providing an integrated range of health and wellness services for the community of Hong Kong. We believe that there will be new opportunities arising from the current market situation, and will continue to strengthen and expand our medical network. We will also actively evaluate and pursue opportunities arising from legislative and policy changes in Hong Kong and China, including medical tourism and partnership opportunities.

As a result of the global economic crisis, 2009 will be a very challenging year for different markets and industries. We enjoy a stable and secure financial position as a result of sound strategy and strong corporate governance. The management team is well prepared to deal with the challenges ahead. We will continue our initiatives to improve our cost control and operational efficiency whilst maintaining the quality of our service offering. At the same time, we will work closely with our partners and corporate clients to find innovative solutions and develop more diversified services to manage their escalating healthcare costs. We will continue to uphold our core values of providing broad based health and wellness services that are of international standards and delivered with integrity.

We will continue to provide our staff with personal development opportunities, career prospects, and a good work-life balance.

I would like to express the Group's appreciation to all our staff for their excellent efforts in 2008 in delivering professional and caring service to our clients. I would also like to thank my fellow Directors, our network of doctors, our professional advisors and finally our shareholders for their continuous support during the year.

GROUP RESULTS

The board of directors (the "Board" or the "Directors") of the Company herein presents the consolidated income statement for the year ended 31 December 2008 and the consolidated balance sheet as at 31 December 2008 of the Group. This annual results announcement has been reviewed by the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
REVENUE#	3	1,069,968	947,701
Other income and gains		17,310	22,281
Changes in inventories of finished goods and dispensary supplies consumed ⁺		(55,829)	(44,928)
Employee benefits expense		(374,893)	(336,413)
Depreciation		(18,301)	(16,161)
Other expenses, net		(563,037)	(501,382)
Finance cost – interest on borrowings		(62)	(1)
Share of profits of:			
A jointly-controlled entity		54	42
An associate		–	454
PROFIT BEFORE TAX	4	75,210	71,593
Tax	5	(10,690)	(8,360)
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>64,520</u>	<u>63,233</u>
DIVIDENDS	6		
Interim		–	12,783
Proposed final		25,769	12,544
Proposed special		–	34,407
		<u>25,769</u>	<u>59,734</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	7		
Basic		<u>27.2 cents</u>	<u>26.6 cents</u>
Diluted		<u>N/A</u>	<u>26.5 cents</u>

Revenue is also the Group's turnover.

+ Being the cost of inventories sold for the year.

CONSOLIDATED BALANCE SHEET

31 December 2008

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		44,555	42,437
Goodwill		17,414	1,358
Other intangible assets		9,880	–
Interest in a jointly-controlled entity		525	352
Deposits for purchases of items of property, plant and equipment		1,483	597
Total non-current assets		73,857	44,744
CURRENT ASSETS			
Inventories		15,945	11,341
Accounts receivable	8	129,335	114,948
Prepayments, deposits and other receivables		39,760	28,523
Tax recoverable		3,466	–
Cash and bank balances		230,031	240,063
Total current assets		418,537	394,875
CURRENT LIABILITIES			
Accounts payable, other payables, accruals and deposits received	9	161,491	126,605
Deferred revenue		17,180	3,978
Hire purchase contract payable		3	5
Tax payable		9,062	483
Total current liabilities		187,736	131,071
NET CURRENT ASSETS		230,801	263,804
TOTAL ASSETS LESS CURRENT LIABILITIES		304,658	308,548
NON-CURRENT LIABILITIES			
Hire purchase contract payable		–	3
Deferred tax liabilities		508	1,133
Total non-current liabilities		508	1,136
Net assets		304,150	307,412
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		22,987	23,893
Reserves		255,394	236,568
Proposed final and special dividends		25,769	46,951
Total equity		304,150	307,412

Notes:

1. CORPORATE INFORMATION, BASIS OF PREPARATION AND ACCOUNTING POLICIES

Corporate information

Quality HealthCare Asia Limited is a limited liability company incorporated in Bermuda.

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

- provision of medical services
- provision of nursing agency, physiotherapy, dental and other services
- provision of elderly care services

Basis of preparation and accounting policies

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), 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. The financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated. The basis of preparation and accounting policies adopted in the financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2007 except for the new adoption of the new and revised HKFRSs as disclosed in note 2 below.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year’s financial statements.

HKAS 39 and HKFRS 7 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> and HKFRS 7 <i>Financial Instruments: Disclosures – Reclassification of Financial Assets</i>
HK(IFRIC)-Int 11	<i>HKFRS 2 – Group and Treasury Share Transactions</i>
HK(IFRIC)-Int 12	<i>Service Concession Arrangements</i>
HK(IFRIC)-Int 14	<i>HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>

The adoption of these new interpretations and amendments has had no significant financial effect on the financial statements and there have been no significant changes to the accounting policies applied in the financial statements.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i> ¹
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i> ¹
HKFRS 3 (Revised)	<i>Business Combinations</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i> ¹
HKFRS 8	<i>Operating Segments</i> ¹
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i> ¹
HKAS 23 (Revised)	<i>Borrowing Costs</i> ¹
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ²
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i> ¹
HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i> ²
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i> ⁵
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i> ³
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i> ¹
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i> ⁴
HK(IFRIC)-Int 17	<i>Distribution of Non-cash Assets to Owners</i> ²
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> ²

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs** which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for annual periods ending on or after 30 June 2009

* *Improvements to HKFRSs* contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Revenue

Revenue, which is also the Group's turnover, represents the fees earned for the provision of medical services, nursing agency, physiotherapy, dental and other services, and elderly care services.

An analysis of revenue is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Revenue</u>		
Medical services	876,213	764,954
Nursing agency, physiotherapy, dental and other services	97,557	86,995
Elderly care services	96,198	95,752
	<u>1,069,968</u>	<u>947,701</u>

Segment information

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

- (a) the medical services segment engages in the provision of medical services;
- (b) the nursing agency, physiotherapy, dental and other services ("nursing agency, physio, dental and other services") segment engages in the provision of nursing agency, physiotherapy, dental, LASIK, ophthalmic and psychological services;
- (c) the elderly care services segment engages in the provision of elderly care services; and
- (d) the corporate and other segment comprises the Group's intra-group management service operations, which principally provides management and other services to group companies, together with other corporate income and expense items.

Intersegment sales and transfers are transacted at mutually agreed terms.

Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Group

	Medical services		Nursing agency, physio, dental and other services		Elderly care service		Corporate and other		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	876,213	764,954	97,557	86,995	96,198	95,752	-	-	-	-	1,069,968	947,701
Intersegment sales*	1,171	1,373	25,234	19,683	5,184	5,718	200	147	(31,789)	(26,921)	-	-
Other income and gains#	10,508	8,996	1,001	620	296	583	840	840	-	-	12,645	11,039
Total	887,892	775,323	123,792	107,298	101,678	102,053	1,040	987	(31,789)	(26,921)	1,082,613	958,740
Segment results	63,397	54,893	9,586	6,706	6,536	7,943	(8,966)	(9,686)	-	-	70,553	59,856
Unallocated interest and dividend income											4,665	8,782
Finance cost											(62)	(1)
Gain on disposal of an associate	-	2,460	-	-	-	-	-	-	-	-	-	2,460
Share of profits of:												
A jointly-controlled entity	54	42	-	-	-	-	-	-	-	-	54	42
An associate	-	454	-	-	-	-	-	-	-	-	-	454
Profit before tax											75,210	71,593
Tax											(10,690)	(8,360)
Profit for the year											64,520	63,233

* These figures are not included in revenue mentioned elsewhere in this announcement.

Excluding unallocated interest and dividend income and gain on disposal of an associate.

Group

	Medical services		Nursing agency, physio, dental and other services		Elderly care services		Corporate and other		Eliminations		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities												
Segment assets	310,243	243,946	39,947	33,449	32,842	48,584	105,371	113,288	-	-	488,403	439,267
Interest in a jointly- controlled entity	525	352	-	-	-	-	-	-	-	-	525	352
Unallocated assets											3,466	-
Total assets											492,394	439,619
Segment liabilities	145,091	101,044	16,580	12,442	12,816	12,094	4,184	5,003	-	-	178,671	130,583
Corporate and other unallocated liabilities											9,573	1,624
Total liabilities											188,244	132,207
Other segment information:												
Depreciation	12,285	10,105	4,520	3,773	1,335	1,943	161	340	-	-	18,301	16,161
Impairment of accounts receivable recognised/ (impairment losses on accounts receivable reversed) in the income statement	2,829	1,200	921	-	32	(80)	-	-	-	-	3,782	1,120
Loss/(gain) on disposal/ write-off of items of property, plant and equipment, net	21	(340)	43	-	17	7	-	-	-	-	81	(333)
Capital expenditure	24,302	15,454	5,112	4,956	610	1,137	359	23	-	-	30,383	21,570

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of inventories sold and dispensary supplies consumed and cost of services provided	858,238	757,635
Impairment of accounts receivable	3,782	1,120
Loss on disposal/write-off of items of property, plant and equipment, net	81	–
Gain on disposal of items of property, plant and equipment, net*	–	(333)
Bank interest income*	(3,794)	(8,782)
Gain on disposal of an associate*	–	(2,460)
Sales of medicine and dispensary supplies*	(5,103)	(3,385)
Net rental income*	(106)	(106)
Dividend income from unlisted investments*	(871)	–

* Included in “Other income and gains” on the face of the consolidated income statement.

5. TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. The lower Hong Kong profits tax rate has become effective from the year of assessment 2008/2009, and so is applicable to the assessable profits arising in Hong Kong for the whole year ended 31 December 2008.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Group:		
Current – Hong Kong		
Charge for the year	12,130	10,060
Overprovision in prior years	(815)	(1,464)
Deferred	(625)	(236)
Total tax charge for the year	10,690	8,360

6. DIVIDENDS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim – Nil (2007: HK5.35 cents) per ordinary share	–	12,783
Proposed final – HK11.25 cents (2007: HK5.25 cents) per ordinary share	25,769	12,544
Proposed special – Nil (2007: HK14.4 cents) per ordinary share	–	34,407
	<u>25,769</u>	<u>59,734</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK\$64,520,000 (2007: HK\$63,233,000), and the weighted average number of 237,185,926 (2007: 238,014,201) ordinary shares in issue during the year.

No diluted earnings per share is presented for the year ended 31 December 2008, as the Company had no potential ordinary shares outstanding during the year.

The calculation of the diluted earnings per share amount for the year ended 31 December 2007 was based on the profit for the year attributable to ordinary equity holders of the Company of HK\$63,233,000. The weighted average number of ordinary shares used in the calculation was 238,014,201 ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of 290,086 ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<u>Earnings</u>		
Profit for the year attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	<u>64,520</u>	<u>63,233</u>
	Number of shares	
	2008	2007
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	237,185,926	238,014,201
Effect of dilution – weighted average number of ordinary shares:		
Warrants	<u>–</u>	<u>290,086</u>
	<u>237,185,926</u>	<u>238,304,287</u>

8. ACCOUNTS RECEIVABLE

The Group generally allows an average credit period of 30 days to its business-related customers. The Group has a credit policy in place, and exposures are monitored and overdue balances are reviewed by senior management on an ongoing basis. Accounts receivable are non-interest-bearing.

	Group	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Accounts receivable	136,134	117,965
Impairment	<u>(6,799)</u>	<u>(3,017)</u>
	<u>129,335</u>	<u>114,948</u>

The above provision for impairment of accounts receivable represents a provision for individually impaired accounts receivable of HK\$6,799,000 (2007: HK\$3,017,000) with a carrying amount of HK\$7,270,000 (2007: HK\$3,986,000). Such provision was determined after taking into account the ageing of individual accounts receivable balances, the creditworthiness of the debtors, their repayment history and historical write-off experience. The Group does not hold any collateral or other credit enhancements over these balances.

The aged analysis of the accounts receivable as at the balance sheet date, based on the payment due date, that are not considered to be impaired is as follows:

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	84,190	72,960
Less than 1 month past due	22,058	24,813
1 to 3 months past due	13,561	11,251
Over 3 months past due	9,055	4,955
	<u>128,864</u>	<u>113,979</u>

9. ACCOUNTS PAYABLE, OTHER PAYABLES, ACCRUALS AND DEPOSITS RECEIVED

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

	Group	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts payable:		
Current to 90 days	23,033	20,565
91 to 180 days	230	24
Over 181 days	437	–
	<u>23,700</u>	<u>20,589</u>
Other payables, accruals and deposits received	<u>137,791</u>	<u>106,016</u>
	<u>161,491</u>	<u>126,605</u>

The accounts payable and other payables are non-interest-bearing and are normally settled on terms of 30 to 60 days.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

Quality HealthCare Medical Services (“QHMS”)

Revenue from sales to external customers in 2008 achieved an increase of 14.5% to HK\$876.2 million, compared to HK\$765.0 million in 2007, while divisional profit in 2008 was HK\$63.4 million, an increase of 15.5% compared to HK\$54.9 million in 2007. In addition to organic growth, positive results were achieved in the strategic expansion of our specialist care, healthcare administrative services, as well as consumer-oriented services consistent with market demands. We have expanded our corporate client portfolio through successful business development initiatives, with a growth of approximately 6% in our corporate client enrolment. We have further enhanced and diversified our service offerings, and recorded a growth of approximately 6% in overall attendance throughout our network.

Network Development

In October 2008, QHMS acquired GHC Medical which operated a network of medical centres in residential areas, particularly in the New Territories, with a number of its centres providing 24-hour round-the-clock medical services for the convenience of patients. This acquisition enabled QHMS to diversify our geographical presence and strengthen our community medicine and private client offerings. Subsequent to the addition of the GHC centres, QHMS now owns more than 50 core medical centres including some large as well as small multi-physician centres.

QHMS has expanded its presence in Central with a new facility in Crawford House and we will continue to refurbish and improve patient comfort in all key commercial areas.

Service Expansion

Notwithstanding a difficult second half in 2008, we experienced strong organic growth across all sectors of our medical business including corporate and insurance enrolment, fee for service, specialty care and inpatient services. In 2008 we expanded further into clinical oncology, gastroenterology, and dermatology and we also opened our first paediatrics and sleep disorders centre in Jordan. We will continue to expand organically in both family and specialty practice where appropriate and consistent with the needs of our clients and our doctors. An additional 45 physicians joined our network last year bringing our network size to 710 physicians strengthening our position as a preferred provider organisation for corporates and insurers as well as the community of Hong Kong. Our organic growth of 13% in revenues rewarded our strategy of investing in customer service and staff training to further develop our brand awareness in Hong Kong rather than concentrate on an early expansion into China.

Our healthcare administrative services revenues grew by approximately 17% resulting from confidence in our administrative infrastructure and management.

Chinese Medicine continued to increase in popularity and we achieved an increase of approximately 30% in revenue for Quality HealthCare Chinese Medicine. The total number of visits increased by approximately 27% in 2008 compared to 2007. We will review these results with a view to a significant expansion of Chinese medicine service in 2009/2010.

Enhancement of Productivity and Efficiency

In view of the strong inflationary pressure in 2007 and 2008, management developed both short term and long term IT goals to reduce costs and improve productivity. These initiatives were successful in arresting the decline in operating margins and produced a pleasing improvement.

A new electronic medical records system was introduced at some of our medical centres in 2008, effectively reducing the time spent by the front line in retrieving and filing records, and helping to streamline data entry and communications between the care team.

Knowledge management within the Group has been enhanced and streamlined with the launch of intranet Central Resource Library. This resource of timely and accurate information accessible in all our centres will assist the operations of medical centre and administrative staff enabling more time to be spent on promoting patient care while handling the varied employee health plans.

Ongoing initiatives to lower costs in 2009 include integration of databases, enhanced patient relationship management tools and paperless claims, and billings with our clients.

Growth Opportunities

We will continue to actively and carefully explore creative methods and acquisitions in order to enlarge our healthcare services and assets both in Hong Kong and in the Pearl River Delta.

We will continue to invest in our infrastructure and brand building to further differentiate ourselves from our competitors. Our new website to be available later in 2009 together with our new patient relationship management tools are expected to enable us to develop inbound client business from China seeking healthcare services as well as further diversifying into healthcare related products.

With the HKSAR Government increasing public spending on health from 15% to 17% of recurrent expenditure, together with the launch of the HCVS and the IVSS in 2008, we are well positioned to partner with the Government in exploring sustainable healthcare financing and service options that will improve choice and accessibility for Hong Kong residents. We will continue to participate in public health initiatives and committees to promote public-private collaboration if invited.

Staff Engagement and Recognition

In 2008, we provided approximately 6,000 training hours for 696 participants in training including the areas of clinical skills, management, language, and computer services. Supervisory training was provided for our administrative office and front line supervisors, and a new patient engagement program focusing on customer care was introduced. Team building workshops were held to promote trust and effective communication amongst team members. Seven sessions of Continuous Medical Education for our core and affiliated doctors were organised in 2008 with 195 participants.

In addition to the training programs, our staff were very active in participating in corporate functions and activities. Over 1,000 attendances were recorded for the key events in 2008, including our Sports and Games Carnival, family outing to the farm, charity walk for the Children's Heart Foundation, dance classes, and our annual dinner.

We are pleased that 59 of our staff received the Service Ambassador Awards through the nomination process from our clients and peers, demonstrating our commitment to exceeding clients expectations. Indeed, the total number of compliments received in 2008 has significantly increased compared to 2007.

External Recognition

Our annual client satisfaction survey conducted in 2008 recorded a rise in clients' satisfaction with our services, with approximately 97% of our clients who have participated in the survey rating that they will use our centres again in future and that they would recommend our services to others. We are pleased with this positive indication of the appropriate service mindset and care standards that our staff deliver.

In 2008, in recognition of the continuous improvement and dedication towards service excellence of our Customer Service Department, we have received People Site Certification from the Asia Pacific Customer Consortium. We are committed to building all-round service excellence throughout our customer interaction channels, and the Customer Service Department is very important in this regard in communicating dedication towards service excellence to our clients. We have also received a Quality Health Service Centre Award in the Quality Life Award Ceremony from the Lisa Magazine through nomination from their readers and panel judges.

Quality HealthCare Services (“QHS”)

The revenue from sales to external customers of QHS achieved an increase of 12.1% to HK\$97.6 million in 2008, compared to HK\$87.0 million in 2007. Divisional profit increased by 42.9% to HK\$9.6 million in 2008 compared to HK\$6.7 million in 2007. The strategic expansion and upgrading of facilities under QHS in the previous year and current year, together with business development initiatives, has resulted in a significant improvement in the efficiency of the service delivery.

Quality HealthCare Nursing Agency (“QHNA”)

QHNA continued to deliver a stable growth in 2008 and experienced a steady demand in placement for staff relief in hospitals and elderly homes. QHNA continued to strengthen its capability in handling its diverse range of business lines, and has gained a reputation as a trustworthy third party administrator for research studies and projects. In 2008, QHNA also experienced an increasing demand in local transfer and cross border ambulance services and various onsite services in Hong Kong.

With the implementation of the new scheduling and nurse matching system, QHNA is able to offer speedier and more flexible solutions for its clients. In addition, QHNA will continue to provide competent and compassionate nursing care with continuity and consistency, paying attention to personal needs and confidentiality for all its clients. Ongoing follow-up services are conducted to ensure client satisfaction as well as for benchmarking the quality standards that QHNA seeks to deliver.

Quality HealthCare Dental (“QHD”)

QHD achieved significant growth in 2008 with further expansion of its network including the addition of a new centre in the New Territories and relocation and expansion of another centre in the Hong Kong East area. We have also expanded the scope of services particularly in the implant dentistry area. Both corporate enrolment and community patients registered strong growth with revenue from sales to external customers increasing by approximately HK\$8 million in 2008 with a year on year operating profit growth of approximately 90%.

QHD continues to strengthen its reputation with its commitment to the ongoing enhancement of its clinical and service standards. QHD will also continue to seek for growth opportunities and the development of new range of services to meet the market needs.

Quality HealthCare Physiotherapy (“QHP”)

QHP increased its presence in Hong Kong Island with the opening of a new centre in the Causeway Bay area and the relocation of the centre in the Hong Kong East area. The growth of our physiotherapy network has been well received by our clients and we achieved an approximately 35% increase in attendance numbers from private paying clients in 2008 as compared to 2007.

With more corporations recognising the benefits of sound workplace ergonomics, our physiotherapists have provided onsite occupational health and safety evaluation services to an increasing number of clients in Hong Kong and in China. QHP has participated in the HCVS launched by the Department of Health in support of the Government’s initiations to enable elders to choose their own private primary healthcare services in their local communities that best suit their needs.

Quality HealthCare LASIK & Ophthalmic Centre

This centre was relocated to the Kowloon side in late 2008 as a result of significant rent increase in central Hong Kong. The centre continues to provide a full range of ophthalmic services for our clients, including medical consultations for eye conditions and a range of operative procedures. In addition to curative treatment, we also provide preventive eye screening services for both children and adults.

In response to the increasing number of patients and long waiting times for cataract surgery in public hospitals, a Cataract Surgeries Program has been introduced by the Hospital Authority. This is a Government-funded program designed to increase cataract surgeries throughput through a public-private partnership delivery model. We are pleased to participate in this program to assist the Government manage the long waiting queue and to enable clients to resume a normal quality of life much sooner.

Quality HealthCare Psychological Services (“QHPS”)

In 2008, QHPS continued to achieve growth in corporate enrolment for the Employee Assistance Program as well as a steady growth in the number of individual counseling sessions provided. To manage the growing demand, we have set up a second counselling centre in Discovery Bay in addition to our centre in Central. We have also established a larger network of affiliated psychologists and counselors to service our clients.

QHPS has worked closely with our business partners to deliver an extensive range of emotional wellbeing and stress management programs to assist corporate employees to handle changes and stress at work. QHPS will continue to organise selected strategic partners to provide our clients with ongoing care in the area of mental health and wellbeing.

Quality HealthCare Elderly Services (“QHES”)

QHES achieved a slight growth of 0.5% in revenue from sales to external customers from HK\$95.8 million in 2007 to HK\$96.2 million in 2008. The divisional profit dropped by 17.7% from HK\$7.9 million in 2007 to HK\$6.5 million in 2008, mainly as a result of escalation in rental and other operating costs. The division continues to face the challenge of staff shortages of nurses and other caretakers notwithstanding escalating salaries.

QHES continued to participate in the EBPS of the Social Welfare Department (“SWD”). In 2008, an additional 40 bed places were bought under the EBPS from two of our homes. The division is now providing 367 bed places for SWD under the EBPS.

To meet the growing demand of the ageing population, the Government’s initiative is to provide additional subsidised residential care places for frail elders through the EBPS. With QHES’s commitment to quality care and well-established service delivery model, we are equipped to serve more residents under the EBPS and will actively participate in the upcoming tenders from SWD.

Outlook

2008 has been a challenging year moving from an inflationary environment to a situation of serious financial malaise. 2009 will continue to be challenging as world economies struggle to stabilise the financial system and to deal with deepening recession. In some respects healthcare is relatively defensive but Quality HealthCare could be facing the risk of declining corporate enrolment of staff members. Our strategy is to diversify across different business lines, serving a portfolio of strong corporate clients and private patients and developing our brand through our commitment to professionalism and best practice.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2008, the equity attributable to equity holders of the Company amounted to HK\$304.2 million, representing a decrease of HK\$3.3 million from that of 31 December 2007. During the year, the issued share capital of the Company was reduced by HK\$906,000 as a result of the repurchase of 9,061,489 shares with par value of HK\$0.1 each, for an aggregate consideration of approximately HK\$20,831,000 (including expenses).

The Group's cash and bank balances amounted to HK\$230.0 million (31 December 2007: HK\$240.1 million). It is the Group's objective to ensure there are adequate funds to meet its liquidity requirements in the short and longer term.

The Group made no bank borrowings during the year. As at 31 December 2008, the only outstanding borrowing was an obligation under a hire purchase contract of approximately HK\$3,000 (2007: HK\$8,000).

Since the Group was in a positive net cash position (cash and bank balances available were in excess of borrowings), gearing ratio comparing net debt (borrowings net of cash and bank balances available) to equity was not applicable at 31 December 2008 and 31 December 2007.

CURRENCY AND FINANCIAL RISK MANAGEMENT

The Group's main operating subsidiaries are located in Hong Kong and over 90% of the Group's revenue and purchases during the year were denominated in Hong Kong dollars.

All bank facilities are denominated in Hong Kong dollars. Interest is chargeable on a floating rate basis with reference to Hong Kong Best Lending Rate or HIBOR.

Most cash and bank balances are denominated in Hong Kong dollars. Short-term time deposits are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group's foreign currency assets are immaterial. The Group's exposure to foreign exchange risk is minimal, and accordingly, it did not have any requirement to use financial instruments for hedging purposes.

PLEDGE OF ASSETS

At 31 December 2008, the Group had property, plant and equipment with a net book value of approximately HK\$3,000 (31 December 2007: HK\$7,000) held under a hire purchase contract.

CONTINGENT LIABILITIES

As at 31 December 2008 and 2007, the Group was engaged in certain litigation and claims which have not been disclosed in detail, as the possibility of an outflow of resources embodying material economic benefits is considered remote.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

During the year, the Group acquired the entire issued share capital of GHC Holdings Limited, a company which subsidiaries are operating some medical centres situated in various non-central business districts and residential areas and an aesthetic specialist centre in Hong Kong. Details of the acquisition are set out in the circular of the Company dated 30 October 2008.

Apart from the above, there was no material acquisition or disposal of subsidiaries and associates by the Group in 2008.

MANAGEMENT AND STAFF

At 31 December 2008, the total number of employees was approximately 1,190. Total staff costs amounted to approximately HK\$374.9 million (2007: HK\$336.4 million). The Group offers competitive remuneration packages, together with discretionary bonuses to its staff, based on industry practices, individual and Group performances. The Group also offers training courses and continuous education sessions as part of the Group's emphasis on staff training and development.

DIVIDEND AND BOOK CLOSE

The Board has recommended a final dividend of HK11.25 cents (2007: final dividend of HK5.25 cents and special dividend of HK14.4 cents) per ordinary share payable to shareholders whose names appear on the register of members of the Company on 11 June 2009.

The register of members of the Company will be closed from 6 June 2009 to 11 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:00 p.m. on 5 June 2009. Dividends are expected to be despatched on 25 June 2009.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2008, the Company has applied the principles of, and complied with, the applicable code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except for certain deviations which are summarised below:

Code Provisions B.1.3 and C.3.3

Code provisions B.1.3 and C.3.3 of the CG Code stipulate that the terms of reference of the Remuneration Committee and Audit Committee should include, as a minimum, those specific duties as set out in the respective code provisions.

The terms of reference of the Remuneration Committee adopted by the Company are in compliance with the code provision B.1.3, except that the Remuneration Committee should review (as opposed to determine under the code provision) and make recommendations to the Board on the remuneration packages of the Executive Directors only and not senior management (as opposed to Executive Directors and senior management under the code provision).

The terms of reference of the Audit Committee adopted by the Company are in compliance with the code provision C.3.3, except that the Audit Committee should recommend (as opposed to implement under the code provision) the policy on the engagement of the external auditors to supply non-audit services.

The reasons for the above deviations are set out in the section “Corporate Governance Report” contained in the Company’s annual report for the financial year ended 31 December 2007. The Board has reviewed the terms during the year under review and considers that the Remuneration Committee and the Audit Committee should continue to operate according to the terms of reference adopted by the Company. The Board will review the terms at least annually and make appropriate changes if considered necessary.

Further information on the Company’s corporate governance practices during the year under review will be set out in the corporate governance report to be contained in the Company’s 2008 annual report which will be sent to the shareholders of the Company before end April 2009.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2008, the Company repurchased a total of 9,061,489 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of approximately HK\$20,831,000 (including expenses). All the repurchased shares were subsequently cancelled.

Particulars of the repurchases are as follows:

Month of repurchase	Number of ordinary shares of HK\$0.10 each	Price per share		Aggregate consideration paid (including expenses) HK\$'000
		Highest HK\$	Lowest HK\$	
September 2008	868,000	2.50	2.41	2,174
October 2008	8,177,489	2.28	2.05	18,627
December 2008	<u>16,000</u>	1.90	1.75	<u>30</u>
	<u>9,061,489</u>			<u>20,831</u>

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the year ended 31 December 2008.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the management of the Company the Group's annual results for the year ended 31 December 2008.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

On behalf of the Board
Arthur George Dew
Chairman

Hong Kong, 30 March 2009

As at the date of this announcement, the Board comprises Dr. Lincoln Chee Wang Jin (Chief Executive Officer) and Mr. Mark Wong Tai Chun being the Executive Directors, Mr. Arthur George Dew (Chairman) being the Non-Executive Director, and Messrs. Francis J. Chang Chu Fai (Deputy Chairman), Li Chak Hung and Carlisle Caldwell Procter being the Independent Non-Executive Directors.

* *For identification purposes only*