



APTUS HOLDINGS LIMITED

問博控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Annual Report 2002

ANNUAL REPORT

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This report, for which the directors of APTUS HOLDINGS LIMITED collectively and individually accept full responsibility, includes particulars given in compliance with Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to APTUS HOLDINGS LIMITED. The directors of APTUS HOLDINGS LIMITED, having made all reasonable enquiries, confirm that, to the best of their knowledge and beliefs; (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would take any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived or after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Vee Li, Felix (*Chairman*)
Mr. Ma Wai Hung, Vincent (*Vice Chairman*)
Mr. Lee Chan Wah
Mr. Wong Kok Sun

Non-executive Directors

Dr. Wong Kwok Yiu, Chris
Mr. Chen Si Te, Frank

Independent Non-executive Directors

Dr. Yau Yat Yin
Mr. Ma Ching Nam

COMPANY SECRETARY

Mr. Lee Chan Wah, FCCA, AHKSA

QUALIFIED ACCOUNTANT

Mr. Lee Chan Wah, FCCA, AHKSA

COMPLIANCE OFFICER

Mr. Chen Vee Li, Felix

AUDIT COMMITTEE

Dr. Yau Yat Yin
Mr. Ma Ching Nam

AUTHORISED REPRESENTATIVES

Mr. Chen Vee Li, Felix
Mr. Lee Chan Wah

LEGAL ADVISER TO THE COMPANY

Fairbairn Catley Low & Kong

SPONSOR

Kingston Corporate Finance Limited

AUDITORS

Ernst & Young

PRINCIPAL BANKERS

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 803, 8th Floor,
Hang Seng Building
77 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited
36C Bermuda House
3rd Floor
P.O. Box 513 GT
Dr. Roy's Drive
George Town
Grand Cayman
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

GEM STOCK CODE

8212

Chairman's Statement

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of the Company, I am pleased to present the first annual report of the Company and its subsidiaries (the "Group") since the listing of our shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 May 2002.

With our successful listing of the shares of the Company on GEM of the Stock Exchange on 14 May 2002, this has been a milestone year in the development of the Group. The results of the share placing for our listing were encouraging, as they were over-subscribed of 7 times, indicates investor confidence in the Group and strengthens the confidence of the Group's management to continue pursuance of our business objective to establish a leadership position in the PRC as a commercialization services provider in the sales and marketing of high quality pharmaceutical and healthcare products and in the dissemination of technological information relating to the pharmaceutical and healthcare industries in the PRC.

During the first year of listing, the consolidated turnover recorded by Group was HK\$20.5 million, increased by approximately 94% from the previous year. The substantial increase in the turnover is a result of the Group's efforts in expanding product sales. The Group, however, recorded a loss of approximately HK\$3.2 million. The loss can be attributed to increased spending in building a strong in-house product sales team. The Group's management believes that investing in a strong in-house product sales team will lay a strong foundation for future growth. By increasing our competitive edge in acquiring additional quality products at a faster rate, we will build a much stronger sales network.

The Board believes that this year has been an important year of development for the Group and we have achieved significant progress which will contribute to the continued success in the future. During the year, we have successfully achieved the following accomplishments:

1. Marketing and Consulting Team Expansion

The number of experienced and accomplished accounts executive in both the direct marketing team and the product consulting team has been increased. In addition, support facilities have been improved and additional support facilities have been acquired.

2. Sales Force Management Consulting Expansion

The number of experienced sales representatives has been increased and additional facilities has been purchased. A Shanghai representative office was set up in September 2002.

3. Distribution Rights Acquisition

The Group has acquired exclusive marketing and distribution rights of five Korean pharmaceutical products of Dae Hwa Pharmaceutical Co. Ltd. ("Dao Hwa") for the PRC market, namely Booming Soft Cap (for general malaise and drug-induced dermatitis), Cabone Soft Cap (for osteoporosis and osteomalacia), N-Vita Power (vitamin supplement), Ustanin Soft Cap (for prostatic hypertrophy) and Top-Roll Gold (ginseng & minerals extract). Dae Hwa is a top-20 pharmaceutical company in Korea with sales totalling over HK\$350 million. The Group's management believes that these five products will make significant contribution to the Group's earnings when they are launched after State Drugs Administration ("SDA") approval in the PRC.

Chairman's Statement

4. Secure Alliances

The Group has also entered into an alliance agreement with Shanghai's Brightvista Group to cooperate in the marketing and sales of pharmaceutical products distributed by Brightvista Group. Brightvista Group is a major distributor of pharmaceutical products in Shanghai with sales of RMB430 million last year. We believe that the cooperation is mutually beneficial to both parties, and the Group's marketing and sales capability will complement Brightvista's strong distribution logistics.

5. Internet Portal Development

The Group's internet portal has been upgraded and the content of the website has also been enriched. This will undoubtedly enlarge the website's viewer base, and in turn enhance the development in conducting commercial pharmaceutical transactions in the PRC market.

OUTLOOK AND FUTURE PROSPECTS

Taking into account the growth potential of the pharmaceutical and healthcare products market in the PRC, the Directors believe that the Group should continue its efforts to position the Group as the leader commercialization service provider in the sales and marketing of pharmaceutical and healthcare products in the PRC market.

To achieve the above objective, the Group will continue to improve its product based revenue and improve its sales system and network, as well as to acquire more quality products to add to its portfolio. Recently, the Group has successfully acquired the exclusive worldwide marketing, sales and distribution right of Jinlianhua, a traditional Chinese medicine. The Group's management believes that Jinlianhua presents an excellent opportunity for the Group to add substantial value by exercising our expertise in marketing and sales to expand Jinlianhua sales outside of the PRC market, and eventually turn Jinlianhua into a product with international coverage and demand.

The Group has also entered an alliance with Artificial Life Inc. of the United States. Artificial Life, a U.S. Nasdaq listed company, develops, markets, and supports intelligent, award winning software robots and intelligent agents technology and provides knowledge mining technology for life science applications and bio-computing solutions. The Group will extend Artificial Life's technology services to its customers in the PRC. Artificial Life technology can handle all relevant Asian languages and can provide a unique intelligent user interface to the websites of our clients. The Group's management feel highly confident that we will be able to utilize Artificial Life products to enhance our services provided to our major clients in the PRC.

Despite the losses recorded in this year, the management believe that the enormous potential of the pharmaceutical and healthcare industry in the PRC will ensure rapid growth for the Group, thus providing fundamental improvement to operating results and bringing satisfactory returns to shareholders in the near future.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in providing product commercialisation services to international and domestic pharmaceutical and healthcare companies in the PRC, as well as the trading of pharmaceutical products. Commercialisation services encompass direct marketing, product consulting and sales force management consulting services.

DIRECT MARKETING SERVICES

For the financial year ended 30 September 2002, the Group recorded a turnover of approximately HK\$0.6 million, representing a decline of approximately 66% as compared to HK\$1.8 million recorded in the corresponding period of last year. The decline in turnover can be attributed to the concentration of the Group's resources on the development of product consulting services and sales force management consulting services, as the gross profit margin of direct marketing services is relatively lower than that of product consulting services and sales force management consulting services.

PRODUCT CONSULTING SERVICES

For the financial year ended 30 September 2002, the Group recorded a turnover of approximately HK\$10 million, representing an increase of approximately 18% as compared to the turnover of approximately HK\$8.5 million recorded in the corresponding period of last year. The reason for this increase in turnover is due to the increase in the number of customers. During the year under review, the Group successfully entered into product consulting contracts with five of the top ten international pharmaceutical companies in the PRC.

SALES FORCE MANAGEMENT CONSULTING SERVICES

For the financial year ended 30 September 2002, the turnover of the Group's sales force management consulting services grew by 5.3 times, as compared to the previous year to approximately HK\$1.8 million. The increase in turnover was mainly attributed to the expansion of the sales force management consulting team, which in turn increased the market share of the Group in this aspect.

TRADING OF PHARMACEUTICAL PRODUCTS

During the year under review, the Group launched its trading business of pharmaceutical products. This business generated a turnover of approximately HK\$8.1 million. The Group will continue to improve its product based revenue by improvement and expansion of its sales system and network and by adding more quality products to its portfolio.

FINANCIAL REVIEW

Net loss from ordinary activities of the Group attributable to shareholders for the year ended 30 September 2002 amounted to approximately HK\$3.2 million (2001: net profit of HK\$0.2 million). Since listing of the shares of the Company on GEM of the Stock Exchange on 14 May 2002, the Group has applied approximately HK\$23 million of the listing proceeds for the development of the Group's businesses as stated in the prospectus of the Company dated 30 April 2002 (the "Prospectus").

Overall gross profit margin has decreased to 38.3% from 67.6% in the corresponding period last year. The decrease was mainly due to the relatively lower gross profit margin of the Group's newly launched trading business of pharmaceutical products. Overall gross profit margin for the other business segments containing Product Consulting Services, Direct Marketing Services and Sales Force Management Consulting Services are 62.7%.

Management Discussion and Analysis

The Group recorded a turnover of approximately HK\$20.5 million, a significant increase of approximately 94% compared HK\$10.6 million in the last financial year. The continuing increase in turnover was mainly attributable to the Group's efforts in expanding product sales. The decrease in net profit from ordinary activities attributable to shareholders was mainly attributable to an increase in the selling and distribution costs and administrative expenses. The increase in selling and distribution costs was mainly due to increased spending in building a strong in-house product sales team. The increase in administrative expenses can be attributed to an increase in rental expenses, directors' remuneration and staff costs resulting from the expansion of the Group's operations.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2002, the Group had total assets of approximately HK\$72 million (2001: HK\$19 million), including net cash and bank balances of approximately HK\$22.2 million (2001: HK\$0.2 million).

During the year ended 30 September 2002, the Group financed its operations with its own working capital, internally generated cash flow and proceeds from issuance of new shares. There was no charge on the Group's assets as at 30 September 2002 and 2001.

As at 30 September 2002, the gearing ratio, (defined as the ratio between total bank borrowings and shareholders' equity), was approximately 5% (2001: nil). The outstanding bank borrowings represents bank overdraft denominated in Hong Kong dollars of approximately HK\$3 million (2001: nil). The Group had no borrowings stated at fixed interests rates at the balance sheet date (2001: nil).

Most of the transactions of the Group are denominated in Hong Kong Dollars and Renminbi. As the exchange rate of the Renminbi to Hong Kong Dollars are fairly stable, the Directors are of the view that the exposure to foreign currency exchange risk is limited. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

CONTINGENT LIABILITIES

As at 30 September 2002, the Group had no contingent liabilities.

RELEASE OF PERSONAL GUARANTEES

Subsequent to the balance sheet date, the personal guarantees executed by two of the directors of the Company in respect of banking facilities available to the Group were released and replaced by corporate guarantees executed by Company.

SIGNIFICANT INVESTMENT

During the year under review, there was no significant investment held by the Group (2001: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Other than in connection with the group reorganisation in preparation for the listing of the Company's shares on GEM, there were no material acquisitions or disposal of subsidiaries and affiliated companies during the year.

FUTURES PLANS FOR MATERIAL INVESTMENTS AND EXPECTED SOURCE OF FUNDING

Details for the Group's future plans for material investments or capital assets and their expected source of funding have been stated in the Company's prospectus dated 30 April 2002 under the sections headed "Statement of Business Objectives" and "Reasons for the Placing and Use of Proceeds" respectively. Other than those disclosed herein, in particular under sections headed "Use of Proceeds from Issuance of New Shares" and "Comparison of Business Objectives with Actual Business Progress" in this annual report, the Group did not have any plan for material investments or capital assets.

Management Discussion and Analysis

EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30 September 2002, the Group had 75 (2001: 51) full times employees. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

During the year under review, 16,350,000 share options were granted to the employees and none of them were exercised.

BUSINESS PROSPECTS

The Directors believes that with the continual growth of the PRC economy, the PRC's accession into the WTO and the coming 2008 Olympic, the demand for pharmaceutical and healthcare products in the PRC market will continue to grow. These will provide a promising prospect for the Group. The Group will continue to capitalise on its strength in the provision of commercialisation service in the sales and marketing of pharmaceutical and healthcare products in the PRC. In addition, the Group will allocate resources for the improvement of its product based revenue and sales system and network, as well as to acquire more quality products to add to its portfolio.

The Group will also make effort to explore investment opportunities in the areas relating to the Group's existing operation so as to achieve the aim of optimising the shareholders' interests.

REVIEW OF BUSINESS OBJECTIVE

Comparison of business objectives with actual business progress

The following is a summary of the actual progress of the Group compare with the business objective set out in the prospectus of the company dated 30 April 2002.

	Business objectives up to 30 September 2002 as stated in the Prospectus	Actual business progress up to 30 September 2002
1. Direct Marketing Team Expansion	<ul style="list-style-type: none">- Recruit direct marketing account executives- Recruit direct marketing support personnel- Improve direct marketing support facilities	<ul style="list-style-type: none">- number of direct marketing account executives increased- number of direct marketing support personnel increased- additional facilities, mainly computer equipments were acquired

Management Discussion and Analysis

REVIEW OF BUSINESS OBJECTIVE *(continued)*

Comparison of business objectives with actual business progress *(continued)*

2. Product Consulting Team Expansion	- Recruit product consulting account executives	- number of product consulting account executives increased
	- Recruit product consulting support personnel	- number of product consulting support personnel increased
	- Purchase additional support facilities	- additional facilities, mainly computer equipments were acquired
3. Sales Force Management	- Recruit account executives Consulting Team Expansion	- number of account executives increased
	- Set up additional facilities and representative offices	- additional facilities, mainly computer equipments were acquired
		- Shanghai office was set up
4. Distribution Rights Acquisition	- Secure additional pharmaceutical product distribution rights	- acquisition of exclusive distribution right of five Korean products
5. Database Management Enhancement	- Enrich database content	- phase one of database enrichment is completed
	- Recruit database personnel	- number of database personnel increased
6. Internet and E-Commerce Development	- Enrich Internet portal content	- Internet portal content enrichment is in progress

Management Discussion and Analysis

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES

The proceeds from the Company's issue of new shares at the time of its listing on the GEM in May 2002, after deduction of related issuance expenses, amounted to approximately HK\$42 million. During the year ended 30 September 2002, the net proceeds were applied in the following areas:

		Proceeds from over- allotment		Total	Actual
	<i>Notes</i>	Proposed <i>HK\$'000</i>	option <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expenditure in relation to recruit direct marketing account executives, support personnel and improve support facilities		1,200	2,000	3,200	1,200
Expenditure in relation to recruit product consulting account executives, support personnel and improve support facilities		1,200	2,000	3,200	1,474
Expenditure in relation to recruit sale force management consulting sale representatives and set up additional activities and representative offices	(1)	1,700	–	1,700	4,586
Expenditure in relation to secure additional pharmaceutical products distribution rights	(2)	1,100	4,000	5,100	6,800
Expenditure in relation to enrich database content, upgrade hardware and software computer facilities, recruit database personnel and database management services	(3)	600	1,000	1,600	3,428
Expenditure in relation to enrich internet portal content and establish e-commerce platform		200	–	200	200
General working capital		1,100	–	1,100	1,100
Total		7,100	9,000	16,100	18,788

Management Discussion and Analysis

USE OF PROCEEDS FROM ISSUANCE OF NEW SHARES *(continued)*

The proposed use of proceeds for the year ended 30 September 2002, including proceeds from the exercise of over-allotment option, is HK\$16.1 million. The reasons for difference of proposed usage and actual usage of proceeds are stated as below:

1. In order to strengthen the sales system and network, HK\$4.5 million was used to acquire additional facilities, mainly computer hardware and software for sales force management consulting team expansion.
2. In view of the market potential of foreign manufactured pharmaceutical products, HK\$6.8 million was used to acquire exclusive distribution rights of five Korean pharmaceutical products in the PRC.
3. HK\$3.0 million was used to enrich database content and upgrade hardware and software computer facilities.

AUDIT COMMITTEE

The Company established an audit committee (the "Committee") on 24 April 2002, with written terms of reference in compliance with the Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises two independent non-executive directors and Mr. Lee Chan Wah, an executive director of the Company. The Group's audited financial statements for the year ended 30 September 2002 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the Listing Rules, since the listing of the Company's shares on GEM on 14 May 2002.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES OF THE COMPANY

Other than in connection with the Company's placing of shares, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

INTERESTS OF SPONSOR

Neither the Company's sponsor, Kingston Corporate Finance Limited ("Kingston"), nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in any class of securities of the Company or any its subsidiaries (including options or rights to subscribe for such securities) as at 30 September 2002.

Pursuant to the agreement dated 29 April 2002 entered between the Company and Kingston, Kingston has been retained to act as the Company's sponsor for the period from 14 May 2002 to 30 September 2004 in return for a monthly advisory fee.

By order of the Board

CHEN Vee Li, Felix

Chairman

Hong Kong, 30 December 2002

Profile of Directors and Senior Management

EXECUTIVE DIRECTORS

CHEN Vee Li, Felix (陳維立), aged 37, is the co-founder, chairman and chief executive officer of Aptus Group. Mr. Chen obtained his bachelor degree in Business Administration from the University of Massachusetts in 1988. Prior to joining Aptus Group, he was the senior vice president of United Medical Industrial Group, a China-based pharmaceutical business, during 1996 to 1998, and general manager responsible for sale and marketing function for Shanghai Cheng Ming Ming Cosmetics Company which is principally engaged in the manufacturing and sale of cosmetics in the PRC market, during 1994 to 1996. Mr. Chen is responsible for the overall business strategy formulation of Aptus Group.

MA Wai Hung, Vincent (馬偉雄), aged 37, is the co-founder and the vice chairman of Aptus Group. Mr. Ma received a bachelor of arts degree in economics from the University of California at Los Angeles (UCLA) and a master of business administration degree in Finance from Columbia University in New York, the US. Prior to his involvement in the business of Aptus Group, Mr. Ma held a management position in Soma International Limited, a major Hong Kong based toy manufacturing and trading company for eight years where he was involved in product development and management. Mr. Ma is responsible for the overall business development of Aptus Group.

LEE Chan Wah (李燦華), aged 34, is an executive Director. He graduated from the Baptist University of Hong Kong with a bachelor degree in Finance. Mr. Lee is also a fellow member of the Association of Chartered and Certified Accountants and an associate member of the Hong Kong Society of Accountants. Prior to joining Aptus Group in July 2001, Mr. Lee had several years of experience in the fields of accounting and auditing. He is responsible for Aptus Group's financial and treasury functions.

WONG Kok Sun (黃國山), aged 30, is an executive Director. He graduated from the Western Michigan University with a bachelor degree in Finance. After graduating in April 1996, he started his career with Citibank N.A. (Malaysia) as a management associate. Subsequently, he was attached to BSN Merchant Bank Berhad as a senior officer of the corporate banking/capital markets department to assist corporate clients to raise funds from the debt capital markets department to assist corporate clients to raise Corporation Berhad, as a credit rating analyst with the main focus in rating structured finance transactions. Mr. Wong joined Aptus Group in April 2002 and is responsible for the corporate finance strategy of Aptus Group.

NON-EXECUTIVE DIRECTORS

Dr. WONG Kwok Yiu, Chris (王國耀), aged 43, is a non-executive Director and joined Aptus Group in January 2002. He is a medical practitioner in Hong Kong and holds the qualifications of MB, Ch.B (Glasgow), MRCP (United Kingdom), FRCP (Glasgow), FRCP (Edinburgh), FHKAM (Medicine) and FHKCP. Dr. Wong is a specialist in cardiology. He is a staff cardiologist at the Hong Kong Adventist Hospital and honorary consultant to Hong Kong Sanatorium Hospital and St. Paul Hospital in Hong Kong. Dr. Wong is also a council member of the Hong Kong College of Cardiology.

CHEN Si Te, Frank (陳世德), aged 62, is a non-executive Director. He has over 35 years of management experience in the international pharmaceutical chemical and life science business with expertise in the development of healthcare market in the Asia Pacific region. Prior to joining Aptus Group as a consultant in December 1999, he served as an executive director responsible for formulation of overall business strategy for both Cyauamid Far-East Limited and Lederle Pharmaceutical China Inc., between 1982 and 1996. He is the father of Mr. Chen.

Profile of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. YAU Yat Yin (游逸燕), aged 43, is an independent non-executive Director and joined Aptus Group in December 2001. She is a medical practitioner in Hong Kong and holds the qualifications of MBBS (Queensland), FRACR (Australia), FRCR (Hong Kong) and FHKAM (Radiology). Dr. Yau is currently the director of Medical Imaging and Nuclear Medicine of the Hong Kong Adventist Hospital, and in charge of PET-CT scan at the Cancer Centre of the Hong Kong Adventist Hospital. She is also the director of the PET-CT Scan Centre of the Baptist Hospital in Hong Kong. Dr. Yau is also an Honorary Clinical Assistant Professor at the University of Hong Kong.

MA Ching Nam (馬清楠), aged 49, is an independent non-executive director and joined Aptus Group in December 2001. Mr. Ma has been a practicing solicitor in Hong Kong and the United Kingdom for over 20 years and is also qualified to practice law in Singapore and Australia. He is currently a partner of King & Company, Solicitors and Notaries. Mr. Ma is a director of Tai Sang Bank Limited and a number of private property investment companies. Mr. Ma has been a committee member for the Disciplinary Panel of Hong Kong Society of Accountants since 1999. He previously served as a member of some of the committees of the Law Reform Committee (1997–1998) and the Consumer Council (1997–2000). Mr. Ma is also an independent non-executive director of Billybala Holdings Limited, a company listed on GEM.

SENIOR MANAGEMENT

CHOW Alex (周仁華), aged 38, is the chief operating officer of Aptus Group. He graduated from Fairleigh Dickinson University in New Jersey, the US with a bachelor of science degree in Accounting and System Analysis. Prior to joining Aptus Group in December 1999, Mr. Chow was an officer in the treasury department of Citicorp Investment Bank in Hong Kong for 5 years. He is now an adviser to the board of directors for Marine Bio Products International Corporation, a listed life science technology investment company in Canada. He is currently responsible for the business development and day-to-day operations in respect of direct marketing and product consulting functions of Aptus Group.

LEE Hang Seng, Hamilton (李恆生), aged 41, is the senior vice president of Aptus Group. He graduated from the University of Southern California with a Bachelor of Science degree in Business Finance. Prior to joining Aptus Group in April 2002, Mr. Lee had over 16 years of extensive, international experience in planning and execution for the functions of sales, marketing, product development, merger & acquisitions for the financial and pharmaceutical industry. During these senior management postings in U.S., H.K. and P.R.C., Mr. Lee found time to serve the community as Board member of Handicapped Vocational Training Center, Board Director of Po Leung Kuk, Board Advisor of Lingnan University and China Association for Underdeveloped Regions. He is currently responsible for product sale function of Aptus Group.

Xue Ying, Michael (薛鷹), aged 43, is the vice president of Aptus Group. Prior to joining Aptus Group in September 1999, he was the senior vice president of Beijing Tianan Pharmaceutical Company and served as the general manager for Beijing Dabao Company, a famous cosmetic firm in the PRC. Mr. Xue is responsible for business development and the day-to-day operations in respect of sales force management of Aptus Group.

Sun Ah Lei, James (孫亞利), aged 48, is the administrative manager of Aptus Group. He graduated from Beijing Education University, the PRC with a bachelor of arts degree in Japanese language. He has over 25 years' administration experience in pharmaceutical companies in the PRC and Japan. He was the director of administrator for United Medical Industrial Group during 1996 to 1999 and mainly responsible for administration and personnel function. He joined Aptus Group in December 1999 and is responsible for administration and personnel function of Aptus Group.

Profile of Directors and Senior Management

SENIOR MANAGEMENT *(continued)*

HOU, Janice (侯春風), aged 46, is a general manager of Aptus Group. Ms. Hou graduated from Beijing Television University with a diploma in professional secretary. Prior to joining Aptus Group in December 1999, she was a manager at Lederle China, a US-based pharmaceutical company. In 1997, she created one of the most reputable diabetes specialty magazines namely “Diabetes News” in the PRC with a subscription of about 8,000 internists. She is responsible for the general product consulting business of Aptus Group.

JIANG Yue Wang (蔣若望), aged 40, is a general manager of Aptus Group. Mr. Jiang graduated from the East China University of Science & Technology with a bachelor of science degree in Engineering. Prior to joining Aptus Group in December 1999, he was the national sales director for United Medical Industrial Group from 1996 to 1999. During 1991 to 1996, he was the director of sales for Shanghai Cheng Ming Ming Limited, responsible for both the sale and marketing activities of over 300 outlets in the PRC. Mr. Jiang is currently responsible for the sales force management of Aptus Group.

RU, Nancy (茹桂軍), aged 32, is an accounting manager of the Group. She joined the Group in May 2000 and is responsible for accounting function of the Group. She graduated from Jilin Institute of Commerce in 1993 with major in Accounting. Prior to joining of Aptus Group, she was having over 7 years of professional accounting experience.

LIN, Jerry (林延江), aged 29, is the information technical manager of Aptus Group. He graduated from the Beijing Institute of Information Technology, the PRC with a bachelor of science degree in Telecommunications Engineering. Prior to joining Aptus Group in June 2000, he had six years’ working experience as assistant information technical manager in Hua Xia Zheng Bang Company. Mr. Lin is responsible for the information technology of Aptus Group.

XU Wen (徐文), aged 35, is the logistic manager of Aptus Group. He graduated from Hefei University of Technology with a bachelor of science degree in Chemical Engineering and the China Institute of Science with a master degree in chemical Engineering. Prior to joining the Aptus Group in June 2000, he worked in Anhui Chemicals Company for 3 years as logistic manager. He joined Aptus Group in June 2000 and is responsible for logistic operations of the Aptus Group.

Report of the Directors

The directors present their first annual report and the audited financial statements of the Company for the period from 26 November 2001 (date of incorporation) to 30 September 2002 and of the Group for the year ended 30 September 2002.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 26 November 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the Group structure in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group on 27 February 2002. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 1 and 21, and 15 to the financial statements, respectively, and in the Company’s prospectus dated 30 April 2002 (the “Prospectus”).

The shares of the Company were listed on GEM on 14 May 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activity and geographical area of operations for the year ended 30 September 2002 is set out in note 5 to the financial statements.

RESULTS AND DIVIDENDS

The Group’s loss for the year ended 30 September 2002 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 25 to 48.

The directors do not recommend the payment of any dividend in respect of the period.

Report of the Directors

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group for each of the three years ended 30 September 2002 and of the assets, liabilities and minority interests of the Group as at the respective balance sheet dates prepared on the basis set out in notes 1 and 2 below.

Results

	Year ended 30 September		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	20,517	10,595	2,581
Profit/(loss) before tax	(3,163)	472	(1,158)
Tax	(185)	(338)	–
Profit/(loss) before minority interests	(3,348)	134	(1,158)
Minority interests	161	75	29
Net profit/(loss) from ordinary activities attributable to shareholders	(3,187)	209	(1,129)

Assets, Liabilities and Minority Interests

	30 September		
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Total assets	71,526	19,025	21,826
Total liabilities	(6,933)	(2,127)	(5,062)
Minority interests	(482)	(643)	(718)
	64,111	16,255	16,046

Notes:

1. The summary of the combined results of the Group for each of the two years ended 30 September 2001 was extracted from the Prospectus. Such summary was prepared as if the current Group structure had been in existence throughout these financial years. The consolidated results of the Group for the year ended 30 September 2002 are set out on page 25 of the financial statements.
2. The summary of combined assets, liabilities and minority interests as at 30 September 2000 and 2001 was extracted from the Prospectus. Such summary was prepared on the same basis as detailed in note 1 above. The consolidated assets, liabilities and minority interests of the Group as at 30 September 2002 are set out on page 26 of the financial statements.

Report of the Directors

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's issued share capital and share options since its incorporation on 26 November 2001, together with the reasons therefor, are set out in note 21 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of associations or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Other than in connection with the Company's placing of shares as detailed in note 21 to the financial statements, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

RESERVES

Details of movements in the reserves of the Company and of the Group during the period/year are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 September 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Law (2001 Second Revision) of the Cayman Islands, amounted to HK\$58,616,000. This includes the Company's share premium and capital reserve accounts in the amount of HK\$44,960,000 and HK\$15,826,000, respectively, which may be distributed, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 77% of the total sales for the year and sales to the largest customer included therein amounted to 47%. Purchases from the Group's five largest suppliers accounted for approximately 94% of the total purchases for the year and purchases from the largest supplier included therein amounted to 89%.

As far as the directors are aware, neither the directors of the Company, their associates nor the shareholders (which to the best knowledge of the directors own more than 5% of the Company's issued share capital) had any beneficial interests in the Group's five largest customers and suppliers during the year.

Report of the Directors

DIRECTORS

The directors of the Company during the period from 26 November 2001 (date of incorporation) to the date of this report were:

Executive directors:

Chen Vee Li, Felix	(appointed on 1 April 2002)
Ma Wai Hung, Vincent	(appointed on 1 April 2002)
Lee Chan Wah	(appointed on 1 April 2002)
Wong Kok Sun	(appointed on 1 April 2002)

Non-executive directors:

Chen Si Te, Frank	(appointed on 1 April 2002)
Wong Kwok Yiu, Chris	(appointed on 1 April 2002)

Independent non-executive directors:

Yau Yat Yin	(appointed on 1 April 2002)
Ma Ching Nam	(appointed on 1 April 2002)

In accordance with article 87(1) of the Company's articles of association, Lee Chan Wah and Wong Kok Sun will retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The non-executive directors are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's articles of association.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 11 to 13 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 1 April 2002, which will continue thereafter until terminated by either party giving not less than three months' notice in writing to the other party.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the Prospectus, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

As at 30 September 2002, the interests of the directors and their associates in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Director	Number of issued ordinary shares of HK\$0.01 each in the Company and nature of interests			Total
	Personal	Corporate	Others	
Chen Vee Li, Felix	–	–	168,650,000*	168,650,000
Ma Wai Hung, Vincent	–	12,000,000*	132,650,000*	144,650,000
Chen Si Te, Frank	–	–	168,650,000*	168,650,000
Wong Kwok Yiu, Chris	4,800,000	–	–	4,800,000

* These shares are beneficially owned by Byron Bay Limited ("Byron Bay"), which is wholly-owned by the Chen Family 2002 Trust (the "Chen Trust"), a discretionary trust. The discretionary objects of the Chen Trust include the family members of Messrs. Chen Vee Li, Felix and Chen Si Te, Frank, an executive director and a non-executive director of the Company, respectively.

* These shares are beneficially owned by Jingle Holdings Limited, which is wholly beneficially owned by Mr. Ma Wai Hung, Vincent.

These shares are beneficially owned by E-Source Limited ("E-Source"), which is wholly-owned by the Ma Family 2002 Trust (the "Ma Trust"), a discretionary trust. The discretionary objects of the Ma Trust include the family members of Mr. Ma Wai Hung, Vincent.

In addition to the above, a director of the Company has non-beneficial personal interest in a subsidiary held for the benefit of the Group solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at the balance sheet date, none of the directors or their associates had any personal, corporate, family or other beneficial interests in the issued share capital of the Company or any of its associated corporations as defined in the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings prescribed by the Rules Governing the Listing of Securities (the "Listing Rules") on GEM.

Report of the Directors

SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of recognising the contributions of certain directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity.

(a) Pre-IPO share option scheme

Pursuant to a pre-IPO share option scheme (the "Pre-IPO Scheme") adopted by the Company on 24 April 2002, the Company may grant pre-IPO share options (the "Pre-IPO Scheme Options") to any directors and employees of the Company and its subsidiaries.

During the year, on 24 April 2002, 47,500,000 Pre-IPO Scheme Options were granted to certain directors and employees of the Group, which entitled them to subscribe for a total of 47,500,000 ordinary shares of the Company. As at 30 September 2002 and up to the date of this report, no Pre-IPO Scheme Options have been exercised. At 30 September 2002, the number of shares issuable under share options granted under the Pre-IPO Scheme represented approximately 7.68% of the Company's shares in issue as at that date.

Details of the Pre-IPO Scheme Options granted during the year and outstanding at the balance sheet date are as follows:

Name and category of participants	Number of Pre-IPO Scheme Options granted during the period and outstanding as at 30 September 2002	Date of grant of Pre-IPO Scheme Options*	Exercise period of Pre-IPO Scheme Options	Exercise price of Pre-IPO Scheme Options <i>HK\$</i>
Directors				
Chen Vee Li, Felix	18,000,000	24 April 2002	14 May 2003 to 13 May 2006	0.50
Ma Wai Hung, Vincent	18,000,000	24 April 2002	14 May 2003 to 13 May 2006	0.50
Wong Kok Sun	1,250,000	24 April 2002	14 May 2003 to 13 May 2006	0.10
Lee Chan Wah, Ivan	500,000	24 April 2002	14 May 2003 to 13 May 2006	0.10
Chen Si Te, Frank	250,000	24 April 2002	14 May 2003 to 13 May 2006	0.10
	<u>38,000,000</u>			
Other employees				
In aggregate	<u>9,500,000</u>	24 April 2002	14 May 2003 to 13 May 2006	0.10
Total	<u><u>47,500,000</u></u>			

* The vesting period of the Pre-IPO Scheme Options is from the date of grant until the commencement of the exercise period.

Report of the Directors

SHARE OPTION SCHEMES *(continued)*

(b) Post-IPO share option scheme

Pursuant to the Post-IPO share option scheme (the “Post-IPO Scheme”) adopted by the Company on 24 April 2002, the board of directors may, at their discretion, grant Post-IPO share options (the “Post-IPO Scheme Options”) to any directors and full-time employees of the Company and its subsidiaries. The Post-IPO Scheme became effective on 24 April 2002 and will remain in force for ten years from that date.

The maximum number of unexercised Post-IPO Scheme Options currently permitted to be granted under the Post-IPO Scheme and any other share option scheme is an amount equivalent to, upon their exercise, 10% of the shares of the Company in issue at any time. The limit on the number of shares which may be issued upon exercise of all outstanding option granted under the Post-IPO Scheme and any other share option scheme must not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under the Post-IPO Scheme to each eligible participant in the Post-IPO Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time.

The offer of a grant of the Post-IPO Scheme Options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the Post-IPO Scheme Options granted is determined by the board of directors, and shall not be more than ten years from the date of grant of the Post-IPO Scheme Options. The Post-IPO Scheme does not require a minimum period for which the Post-IPO Scheme Options must be held nor a performance target which must be achieved before the Post-IPO Scheme Options can be exercised.

The subscription price will be determined by the board of directors, but may not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of grant of the Post-IPO Scheme Options; (ii) the average of the closing prices of the Company’s shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the Post-IPO Scheme Options; or (iii) the nominal value of the Company’s shares on the date of offer.

On 11 July 2002, 8,450,000 Post-IPO Scheme Options were granted to certain directors and employees, which entitled them to subscribe for a total of 8,450,000 ordinary shares of the Company. As at 30 September 2002 and up to the date of this report, no Post-IPO Scheme Options have been exercised. At 30 September 2002, the number of shares issuable under share options granted under the Post-IPO Scheme represented 1.37% of the Company’s shares in issue as at that date.

Report of the Directors

SHARE OPTION SCHEMES (continued)

(b) Post-IPO share option scheme (continued)

Details of the Post-IPO Scheme Options granted during the year and outstanding at the balance sheet date are as follows:

Name and category of participants	Number of Post-IPO Scheme Options granted during the period and outstanding as at 30 September 2002	Date of grant of Post-IPO Scheme Options	Exercise period of Post-IPO Scheme Options	Exercise price of Post-IPO Scheme Options* HK\$	The Company's share price at date of grant of Post-IPO Scheme Options** HK\$
Directors					
Chen Si Te, Frank	400,000	11 July 2002	11 July 2002 to 10 July 2012	0.612	0.550
Wong Kwok Yiu, Chris	400,000	11 July 2002	11 July 2002 to 10 July 2012	0.612	0.550
Yau Yat Yin	400,000	11 July 2002	11 July 2002 to 10 July 2012	0.612	0.550
Ma Ching Nam	400,000	11 July 2002	11 July 2002 to 10 July 2012	0.612	0.550
	1,600,000				
Other employees					
In aggregate	6,850,000	11 July 2002	11 July 2002 to 10 July 2012	0.612	0.550
Total	8,450,000				

* The exercise price of the Post-IPO Scheme Options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The Price of the Company's shares disclosed as at the date of grant of the Post-IPO Scheme Options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the Post-IPO Scheme Options.

The financial impact of the Pre-IPO Scheme Options and the Post-IPO Scheme Options granted is not recorded in the balance sheet of the Company or the consolidated balance sheet of the Group until such time as the options are exercised, and no charges are recorded in the profit and loss account or the balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which are cancelled prior to their exercise date are deleted from the register of outstanding options.

The directors do not consider it appropriate to disclose a theoretical value of the Pre-IPO Scheme Options and the Post-IPO Scheme Options granted during the year because in the absence of a readily available market value for share options on the ordinary shares of the Company, the directors were unable to arrive at an accurate assessment of the value of the Pre-IPO Scheme Options and the Post-IPO Scheme Options.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "Directors' interests in shares" and "Share option schemes" and the transactions relating to the Group Reorganisation as disclosed above, at no time since the incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2002, the following parties were interested in 10% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company under Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's issued share capital
Byron Bay (<i>Note 1</i>)	168,650,000	27.28
E-Source (<i>Note 2</i>)	132,650,000	21.46

Notes:

1. Byron Bay is wholly-owned by the Chen Trust, a discretionary trust of which the discretionary objects include the family members of Messrs. Chen Vee Li, Felix and Chen Si Te, Frank.
2. E-Source is wholly-owned by the Ma Trust, a discretionary trust of which the discretionary objects include the family members of Mr. Ma Wai Hung, Vincent.

Save as disclosed above, the Company had not been notified of any other interest representing 10% or more in the issued share capital of the Company at the balance sheet date.

SPONSOR'S INTERESTS

As at 30 September 2002 and at the date of this report, Kingston Corporate Finance Limited (the "Sponsor"), its directors, employees or associates did not have any interest in the securities of the Company or any of its subsidiaries, or have any right to subscribe for or to nominate any persons to subscribe for the securities of the Company or any of its subsidiaries.

Pursuant to an agreement dated 29 April 2002 entered into between the Company and the Sponsor, the Sponsor will receive fees for acting as the Company's retained sponsor for the period from 14 May 2002 to 30 September 2004.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the Listing Rules since the listing of the Company's shares on GEM on 14 May 2002.

Report of the Directors

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 25 to the financial statements.

AUDIT COMMITTEE

The Company established an audit committee (the “Committee”) on 24 April 2002, with written terms of reference in compliance with the Listing Rules, for the purposes of reviewing and providing supervision over the financial reporting process and internal controls of the Group. The Committee comprises the two independent non-executive directors and Mr. Lee Chan Wah, an executive director of the Company.

Since the incorporation of the Company, the Committee has met twice to review and supervise the financial reporting process, and to provide advice and recommendations to the board of directors. The financial statements of the Group for the year ended 30 September 2002 have been reviewed by the Committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

AUDITORS

Ernst & Young were appointed as the first auditors of the Company for the period ended 30 September 2002.

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chen Vee Li, Felix
Chairman

Hong Kong
30 December 2002

Report of the Auditors



To the members

Aptus Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 25 to 48 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2002 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

30 December 2002

Consolidated Profit and Loss Account

Year ended 30 September 2002

	<i>Notes</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
TURNOVER	6	20,517	10,595
Cost of sales		(12,660)	(3,435)
Gross profit		7,857	7,160
Other revenue		170	115
Selling and distribution costs		(1,609)	(772)
Administrative expenses		(9,581)	(6,031)
PROFIT/(LOSS) BEFORE TAX		(3,163)	472
Tax	10	(185)	(338)
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		(3,348)	134
Minority interests		161	75
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	(3,187)	209
EARNINGS/(LOSS) PER SHARE	12		
– Basic		(HK0.59 cent)	HK0.04 cent
– Diluted		N/A	N/A

Other than the net profit/(loss) from ordinary activities attributable to shareholders for the year, the Group had no recognised gains or losses. Accordingly, a Consolidated Statement of Recognised Gains and Losses is not presented in the financial statements.

Consolidated Balance Sheet

30 September 2002

	<i>Notes</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Fixed assets	<i>13</i>	14,253	7,252
Long term deposit	<i>14</i>	6,800	–
		21,053	7,252
CURRENT ASSETS			
Inventories	<i>16</i>	12,309	–
Accounts receivable	<i>17</i>	8,087	5,846
Prepayments, deposits and other receivables		4,895	266
Due from directors	<i>18</i>	–	5,466
Cash and bank balances		25,182	195
		50,473	11,773
CURRENT LIABILITIES			
Accounts payable	<i>19</i>	6	111
Accrued liabilities and other payables		3,404	1,678
Tax payable		523	338
Bank overdraft, unsecured		3,000	–
		6,933	2,127
NET CURRENT ASSETS		43,540	9,646
TOTAL ASSETS LESS CURRENT LIABILITIES		64,593	16,898
MINORITY INTERESTS		482	643
		64,111	16,255
CAPITAL AND RESERVES			
Issued capital	<i>21</i>	6,183	100
Reserves	<i>22</i>	57,928	16,155
		64,111	16,255

Chen Vee Li, Felix

Director

Ma Wai Hung, Vincent

Director

Consolidated Cash Flow Statement

Year ended 30 September 2002

	<i>Notes</i>	2002 HK\$'000	2001 <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<i>23(a)</i>	(18,346)	(90)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		34	115
Net cash inflow from returns on investments and servicing of finance		34	115
TAX		–	–
INVESTING ACTIVITIES			
Repayment from/(advance to) directors		5,466	(1,731)
Purchases of fixed assets		(9,410)	(3,455)
Long term deposit paid		(6,800)	–
Net cash outflow from investing activities		(10,744)	(5,186)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		(29,056)	(5,161)
FINANCING ACTIVITIES	<i>23(b)</i>		
Proceeds from issue of shares before public listing		8,800	–
Proceeds from issue of shares on public listing		38,880	–
Share issue expenses		(5,767)	–
Proceeds from issue of shares upon exercise of over-allotment option		9,130	–
Repayment to a shareholder		–	(3,943)
Net cash inflow/(outflow) from financing activities		51,043	(3,943)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		21,987	(9,104)
Cash and cash equivalents at beginning of year		195	9,299
CASH AND CASH EQUIVALENTS AT END OF YEAR		22,182	195
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		25,182	195
Bank overdraft, unsecured		(3,000)	–
		22,182	195

Balance Sheet

30 September 2002

	<i>Notes</i>	<i>HK\$ '000</i>
<hr/>		
NON-CURRENT ASSETS		
Investments in subsidiaries	<i>15</i>	15,926
CURRENT ASSETS		
Prepayments		105
Due from subsidiaries	<i>15</i>	30,707
Cash and bank balances		19,210
<hr/>		
		50,022
<hr/>		
CURRENT LIABILITIES		
Accrued liabilities and other payables		1,149
<hr/>		
NET CURRENT ASSETS		
		48,873
<hr/>		
		64,799
<hr/>		
CAPITAL AND RESERVES		
Issued capital	<i>21</i>	6,183
Reserves	<i>22</i>	58,616
<hr/>		
		64,799
<hr/>		

CHEN VEE LI, Felix

Director

MA WAI HUNG, Vincent

Director

Notes to Financial Statements

30 September 2002

1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 26 November 2001 as an exempted company with limited liability under the Companies Law (2001 Second Revision) of the Cayman Islands. Pursuant to a group reorganisation (the “Group Reorganisation”) implemented on 27 February 2002 to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the companies now comprising the Group. This was accomplished by the Company acquiring the entire issued share capital of Aptus Group Limited (“AGL”), the then holding company of the principal subsidiaries listed in note 15 to the financial statements, in consideration for the allotment and issue of 10,000,000 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid, to the former shareholders of AGL. Further details of the Group Reorganisation are set out in note 21 to the financial statements and in the Company’s prospectus dated 30 April 2002.

The shares of the Company were listed on GEM on 14 May 2002.

The Company was incorporated on 26 November 2001. Accordingly, no comparative amounts as at 30 September 2001 have been presented in the Company’s balance sheet.

2. CORPORATE INFORMATION

The principal activity of the Company is investment holding. During the year, the Group was principally involved in the provision of direct marketing, product consulting and sales force management services, and marketing and distribution of pharmaceutical products.

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following relevant new and revised Hong Kong Statements of Standard Accounting Practice (“SSAPs”) and related Interpretations are effective for the first time for the current year’s financial statements:

- SSAP 9 (Revised) : “Events after the balance sheet date”
- 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”
- Interpretation 14 : “Evaluating the substance of transactions involving the legal form of a lease”

Notes to Financial Statements

30 September 2002

3. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(continued)*

- Interpretation 15 : “Business combinations – ‘Date of exchange’ and fair value of equity instruments”
- Interpretation 16 : “Disclosure – service concession arrangements”
- Interpretation 17 : “Revenue – barter transactions involving advertising services”
- Interpretation 19 : “Intangible assets – website costs”

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 those SSAPs and Interpretations are summarised as follows:

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 5 to the financial statements.

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 presentation and consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. Under this basis, the Company has been treated as the holding company of its subsidiaries for the financial years presented rather than from the date of their acquisition. Accordingly, the consolidated/combined results of the Group for the years ended 30 September 2001 and 2002 include the results of the Company and its subsidiaries with effect from 1 October 2000 or since their respective dates of incorporation, where this is a shorter period. The comparative combined balance sheet as at 30 September 2001 has been prepared on the basis that the existing Group had been in place at that date.

In the opinion of the directors, the consolidated/combined financial statements prepared on the above basis present more fairly the results and the state of affairs of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

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 investments in subsidiaries are stated at cost less any impairment losses.

Notes to Financial Statements

30 September 2002

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 contribution 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 subsidiary if the Company has unilateral control over the joint venture company.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or 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.

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.

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.

Fixed assets and depreciation

Fixed assets 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.

Notes to Financial Statements

30 September 2002

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

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 are as follows:

Leasehold improvements	Over the lease terms
Furniture and fixtures	20%
Computer equipment	20%
Motor vehicles	20%

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.

Operating leases

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 lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories, which comprises finished goods held for resale, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchases and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

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 date 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) service income, when the relevant services are rendered;
- (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; and
- (c) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Notes to Financial Statements

30 September 2002

4. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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/combination, 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 dealt with 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, for all of its employees in Hong Kong. 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 will be refunded to the Group when the employee leaves employment prior to the contributions vesting fully in accordance with the rules of the MPF Scheme.

Staff in the subsidiaries established in the People's Republic of China (the "PRC") are members of a central pension scheme operated by the local municipal government. The PRC subsidiaries are required to contribute 19% of their covered payroll to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the PRC subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme. The contributions are charged to the profit and loss account as they become payable in accordance with the rules of the central pension scheme.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year as detailed in note 3 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. 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 business segments are as follows:

- (a) the services provision segment represents the provision of direct marketing services, product consulting services and sales force management services to local and international pharmaceutical and healthcare companies; and
- (b) the trading segment represents the marketing and distribution of pharmaceutical and healthcare products.

Notes to Financial Statements

30 September 2002

5. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers and assets are attributed to the segments based on the location of assets. Over 90% of the Group's revenue and assets are derived from customers based in the PRC and accordingly, no detailed analysis of the Group's geographical segments is presented.

Business segments

The following tables present revenue, results and certain assets, liabilities and expenditure information for the Group's business segments.

Group	Services provision		Trading		Consolidated	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	12,409	10,595	8,108	–	20,517	10,595
Segment results	4,602	5,125	(484)	–	4,118	5,125
Unallocated income					170	115
Unallocated expenses					(7,451)	(4,768)
Profit/(loss) before tax					(3,163)	472
Tax					(185)	(338)
Profit/(loss) before minority interests					(3,348)	134
Minority interests					161	75
Net profit/(loss) from ordinary activities attributable to shareholders					(3,187)	209

Notes to Financial Statements

30 September 2002

5. SEGMENT INFORMATION (continued)

Group	Services provision		Trading		Consolidated	
	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	15,765	11,718	26,946	–	42,711	11,718
Unallocated assets					28,815	7,307
Total assets					71,526	19,025
Segment liabilities	2,048	1,637	193	–	2,241	1,637
Unallocated liabilities					4,692	490
Total liabilities					6,933	2,127
Other segment information:						
Capital expenditure						
Segment	2,886	3,091	4,500	–	7,386	3,091
Unallocated					2,024	364
					9,410	3,455
Depreciation						
Segment	1,628	1,349	–	–	1,628	1,349
Unallocated					781	691
					2,409	2,040

6. TURNOVER

Turnover represents the invoiced value of services provided and goods sold, net of trade discounts, returns and business taxes. All significant intra-group transactions have been eliminated on consolidation/combination.

Notes to Financial Statements

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7. PROFIT/(LOSS) BEFORE TAX

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

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Cost of inventories sold	8,027	–
Cost of services provided	4,633	3,435
Auditors' remuneration	634	308
Depreciation	2,409	2,040
Staff costs (excluding directors' remuneration – note 8):		
Wages and salaries	3,333	2,787
Retirement benefits scheme contributions	153	166
	3,486	2,953
Minimum lease payments under operating leases:		
Land and buildings	1,021	1,252
Equipment	70	100
Exchange losses/(gains), net	(85)	32
Interest income	(34)	(115)

Cost of services provided includes HK\$3,664,000 (2001: HK\$2,638,000) relating to staff costs, depreciation and operating lease rentals in respect of equipment, which are also included in the respective total amounts disclosed for each of these types of expenses above.

8. DIRECTORS' REMUNERATION

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

	Group	
	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Fees:		
Executive directors	–	–
Non-executive directors	120	–
Independent non-executive directors	120	–
	240	–
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	2,004	1,108
Retirement benefits scheme contributions	32	20
	2,036	1,128
Total	2,276	1,128

Notes to Financial Statements

30 September 2002

8. DIRECTORS' REMUNERATION (continued)

Each of the two (2001: Nil) independent non-executive directors received fees of HK\$60,000 during the year. Each of the two non-executive directors received fees of HK\$60,000 (2001: other emoluments of HK\$154,000 and nil) during the year. The four executive directors received individual emoluments of approximately HK\$621,000, HK\$655,000, HK\$325,000 and HK\$435,000 (2001: HK\$611,000, HK\$363,000, nil and nil) during the year.

The remuneration of each director fell within the Nil to HK\$1,000,000 band.

During the year, certain directors agreed to waive directors' emolument of a total HK\$354,000.

During the year, 39,600,000 share options were granted to the directors in respect of their services to the Group, further details of which are also set out under the heading "Share option schemes" in the Report of the Directors. No value in respect of these share options granted during the year has been charged to the profit and loss account.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included 2 (2001: 2) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 3 (2001: 3) non-director, highest paid employees are set out as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	1,542	568
Retirement benefits scheme contributions	17	8
	1,559	576

The remuneration of each non-director, highest paid employee fell within the Nil - HK\$1,000,000 band.

During the year, no emoluments were paid by the Group to the directors or the non-director, highest paid employees as an inducement to join or upon joining the Group, or as compensation for the loss of office (2001: Nil).

During the year, 9,000,000 share options were granted to the 3 non-director, highest paid employees in respect of their services to the Group, further details of which are also set out under the heading "Share option schemes" in the Report of the Directors. No value in respect of these share options granted during the year has been charged to the profit and loss account.

Notes to Financial Statements

30 September 2002

10. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong during the year (2001: Nil). 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, interpretations and practices in respect thereof.

	Group	
	2002	2001
	HK\$'000	HK\$'000
Provision for the year:		
Hong Kong	–	–
Overseas	185	338
	185	338

No deferred tax has been provided because the Company and the Group had no significant timing differences at the balance sheet date (2001: Nil).

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the period from 26 November 2001 (date of incorporation) to 30 September 2002 dealt with in the financial statements of the Company was HK\$2,170,000.

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$3,187,000 (2001: net profit of HK\$209,000) and the weighted average number of 542,304,000 (2001: 480,000,000) ordinary shares of the Company.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 30 September 2001 includes the pro forma issued share capital of the Company, comprising the 2 shares issued nil paid on incorporation of the Company, the 10,000,000 shares issued as consideration for the acquisition of the entire issued share capital of AGL and the capitalisation issue of 470,000,000 shares as further detailed in note 21 to the financial statements. The weighted average number of shares used to calculate the loss per share for the year ended 30 September 2002 comprises the above shares and also the weighted average of the 42,240,000 shares issued to Venture Media Developments Limited, Excel Arts Limited, Dr. Wong Kwok Yiu, Chris, Mr. Lam Tin Kin, Mr. Chung Yi Wen, Alan and Innoasis Limited (collectively referred to as the "Pre-IPO Investors") on 27 February 2002, the 77,760,000 shares issued upon the listing of the Company's shares on GEM on 8 May 2002 and the 18,260,000 shares issued upon the exercise of over-allotment option on 30 May 2002.

No diluted loss per share is shown for the year ended 30 September 2002 as the effect of the share options of the Company granted on 24 April 2002 was anti-dilutive. In addition, the exercise price of share options granted on 11 July 2002 was higher than the average market price of the Company's shares. Accordingly, there was no dilutive effect on the basic loss per share for the year ended 30 September 2002.

No diluted earnings per share was shown for the year ended 30 September 2001 as there was no dilutive events during that year.

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13. FIXED ASSETS

Group

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At beginning of year	986	794	7,579	–	9,359
Additions	1,036	591	7,636	147	9,410
At 30 September 2002	2,022	1,385	15,215	147	18,769
Accumulated depreciation:					
At beginning of year	474	187	1,446	–	2,107
Provided during the year	510	168	1,724	7	2,409
At 30 September 2002	984	355	3,170	7	4,516
Net book value:					
At 30 September 2002	1,038	1,030	12,045	140	14,253
At 30 September 2001	512	607	6,133	–	7,252

14. LONG TERM DEPOSIT

The balance represents the consideration (the “Consideration”) paid in respect of the acquisition (the “Acquisition”) of a 10-year exclusive distribution right (the “Distribution Right”) for five pharmaceutical products (the “Products”) in the PRC. The consideration had been fully paid as at 30 September 2002. Subsequent to 30 September 2002, the Group has submitted the application for registration with the State Drug Administration Bureau (the “SDAB”), the PRC, in relation to the distribution of the Products in the PRC. The directors, based on the opinion from a PRC lawyer, do not expect the Group to encounter any problems in obtaining the relevant approval from the SDAB.

Pursuant to the sale and purchase agreement in respect of the Acquisition, in the event that the registration of any of the Products with SDAB is rejected within two years from the date of the Agreement, which is from 24 June 2002 to 23 June 2004, the Group is entitled to a refund from Mr. Kim Kwang Lim (“Mr. Kim”) of HK\$1.36 million for each of the Products being rejected. Since the registration process of the Products has not yet been completed as at 30 September 2002 and the Consideration can be refunded from Mr. Kim should the registration with SDAB of any of the Products is rejected, the Consideration was classified as a long term deposit as at 30 September 2002.

According to the valuation performed by Castores Magi Surveyors Limited (“Castores”), an independent firm of professional valuers, the fair value of the Distribution Right, based on fair market, continued used basis, would have been HK\$6,840,000 as at 30 September 2002. Accordingly, the directors considered that there is no indication of impairment for the long term deposit.

Notes to Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES

	2002 HK\$'000
Unlisted shares, at cost	15,926

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

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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, results in particulars of excessive length.

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Directly held				
Aptus Group Limited	British Virgin Islands	US\$10,000 Ordinary	100	Investment holding
Indirectly held				
Albatross Overseas Limited	British Virgin Islands/PRC	US\$1,000 Ordinary	100	Provision of product consulting services
Aptus Medical Group Limited	Hong Kong	HK\$117,933 Ordinary	100	Investment holding and provision of product consulting services
Peaceford International Limited	British Virgin Islands/PRC	US\$1,000 Ordinary	100	Investment holding, provision of product consulting services and distribution of pharmaceutical products
北京問博網信息技術 有限公司 ("BWCL") (Note (i))	PRC	US\$300,000	80	Provision of direct marketing services
北京問博網管理顧問 有限公司 ("BWML") (Note (ii))	PRC	US\$150,000	80	Provision of product consulting services

Notes to Financial Statements

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15. INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

- (i) BWCL is an equity joint venture company established by Aptus Medical Group Limited ("AMGL") and a partner in the PRC for a period of 15 years commencing from the date of issuance of its business licence on 13 June 2000.
- (ii) BWML is an equity joint venture company established by AMGL and a partner in the PRC for a period of 15 years commencing from the date of issuance of its business licence on 13 June 2000.

16. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Finished goods	12,309	–

At 30 September 2002, no inventories were stated at net realisable value (2001: Nil).

17. ACCOUNTS RECEIVABLE

Trade debtors, which generally have credit terms of not more than 90 days, are recognised and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

An aged analysis of the Group's accounts receivable at the balance sheet date, based on the date of goods delivered and services rendered, is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Within 90 days	8,047	4,709
91 – 180 days	40	1,137
	8,087	5,846

Notes to Financial Statements

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18. DUE FROM DIRECTORS

Particulars of the amounts due from two of the directors of the Company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

Group	At 30 September 2002 HK\$'000	Maximum amounts outstanding during the year HK\$'000	At 1 October 2001 HK\$'000
Chen Vee Li, Felix	–	3,698	3,698
Ma Wai Hung, Vincent	–	1,768	1,768
	–		5,466

The balances with the directors were unsecured, interest-free and were fully settled during the year.

19. ACCOUNTS PAYABLE

As at 30 September 2002, the accounts payable were aged within 90 days, which was based on the date of goods and services received.

20. BANKING FACILITIES

At 30 September 2002, the banking facilities available to the Group were supported by personal guarantees executed by two of the directors of the Company.

Subsequent to the balance sheet date, the personal guarantees from two of the directors of the Company have been released and replaced by corporate guarantees executed by the Company.

21. SHARE CAPITAL

Shares

	2002 HK\$'000
<i>Authorised:</i>	
20,000,000,000 ordinary shares of HK\$0.01 each	200,000
<i>Issued and fully paid:</i>	
618,260,000 ordinary shares of HK\$0.01 each	6,183

Notes to Financial Statements

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21. SHARE CAPITAL *(continued)*

The following changes in the Company's authorised and issued share capital took place during the period from 26 November 2001 (date of incorporation) to 30 September 2002:

- (i) On incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (ii) On 27 February 2002, one subscriber share of HK\$0.01 was allotted and issued nil paid, and was transferred to Bryon Bay Limited at nil consideration.
- (iii) On the same day, one share was allotted and issued nil paid to E-source Limited.
- (iv) On 27 February 2002, the authorised share capital of the Company was increased from HK\$380,000 to HK\$200,000,000 by the creation of a further 19,962,000,000 shares of HK\$0.01 each.
- (v) On 27 February 2002, as part of the Group Reorganisation set out in note 1 to the financial statements, the Company issued an aggregate of 10,000,000 shares of HK\$0.01 each, credited as fully paid to the former shareholders of AGL, in consideration for the acquisition of the entire issued share capital of AGL. The excess of the fair value of the shares of AGL, determined on the basis of the consolidated net asset value of AGL and its then subsidiaries at that date over the nominal value of the Company's shares issued in exchange therefor, amounting to HK\$15,826,000, was credited to the Company's capital reserve as set out in note 22 to the financial statements below.
- (vi) On 27 February 2002, an amount of HK\$2, being a portion of the amount credited to the capital reserve of the Company on the issue of shares in exchange for the shares of AGL as set out in note (v) above, was applied to pay up, in full at par value, the 2 shares allotted and issued nil paid.
- (vii) On 27 February 2002, the Company allotted and issued a total of 42,240,000 shares of HK\$0.01 each to the Pre-IPO Investors at a total consideration of HK\$8,800,000.
- (viii) On 8 May 2002, the Company allotted and issued 470,000,000 shares to the holders of the shares, whose names appeared on the register of members of the Company at the close of business on 27 February 2002, excluding the Pre-IPO Investors, in proportion to their then holdings, by way of capitalisation of the sum of HK\$4,700,000 standing to the credit of the share premium account of the Company. This allotment and capitalisation were conditional on the share premium account being credited as a result of the Company's new shares issued to the public.
- (ix) On 8 May 2002, 77,760,000 shares of HK\$0.01 each were issued to the public at HK\$0.50 each for a total cash consideration, before related issuing expenses, of HK\$38,880,000.
- (x) On 30 May 2002, the Company allotted and issued a further 18,260,000 shares of HK\$0.01 each at a price of HK\$0.50 per share upon the exercise of the over-allotment option.

Notes to Financial Statements

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21. SHARE CAPITAL (continued)

The following is a summary of the above movements in the authorised and issued share capital of the Company:

	<i>Notes</i>	Number of authorised shares <i>('000)</i>	Number of issued shares <i>('000)</i>	Nominal value of shares issued <i>HK\$'000</i>
Shares allotted and issued nil paid	<i>(ii) & (iii)</i>	38,000	–	–
Increase in authorised share capital	<i>(iv)</i>	19,962,000	–	–
Shares issued as consideration for acquisition of the entire issued share capital of AGL	<i>(v)</i>	–	10,000	100
Application of capital reserve to pay up nil paid shares issued on incorporation	<i>(vi)</i>	–	–	–
Shares issued and credited as fully paid conditional on the share premium account of the Company being credited as a result of the Company's share offer to the public	<i>(viii)</i>	–	470,000	–
Pro forma share capital as at 30 September 2001		20,000,000	480,000	100
Issue of shares to the Pre-IPO Investors	<i>(vii)</i>	–	42,240	422
New issue on public listing	<i>(ix)</i>	–	77,760	778
Capitalisation of the share premium account	<i>(viii)</i>	–	–	4,700
Issue of additional shares on the exercise of over-allotment option	<i>(x)</i>	–	18,260	183
Balance at 30 September 2002		20,000,000	618,260	6,183

Share options

The Company has a pre-IPO share option scheme (the "Pre-IPO Scheme") and a post-IPO share option scheme (the "Post-IPO Scheme"), further details of which are also set out under the heading "Share option schemes" in the Report of the Directors.

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21. SHARE CAPITAL (continued)

Share options (continued)

(a) Pre-IPO Scheme

On 24 April 2002, the Company granted 47,500,000 share options under the Pre-IPO Scheme, which entitled the holders to subscribe for shares of the Company at any time during the period from 14 May 2003 to 13 May 2006. The subscription price per share payable upon the exercise of these options ranged from HK\$0.10 to HK\$0.50.

(b) Post-IPO Scheme

On 24 April 2002, the Company adopted the Post-IPO Scheme which was conditional upon the listing of the Company's shares on GEM. The Post-IPO Scheme became effective upon the listing of the Company's shares on GEM on 14 May 2002 and will remain in force for a period of 10 years from the date of adoption of the Post Scheme.

On 11 July 2002, the Company granted 8,450,000 share options under the Post-IPO Scheme for a nominal consideration of HK\$1 per grantee. The share options granted entitled the holders thereof to subscribe for shares of the Company at any time during the period from 11 July 2002 to 10 July 2012. The subscription price per share payable upon the exercise of these options is HK\$0.612.

At the balance sheet date and the date of this report, all of the above-mentioned share options remained outstanding.

22. RESERVES

Group	Share premium account	Capital reserve	Accumulated losses	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 October 2000	–	17,240	(1,294)	15,946
Net profit for the year	–	–	209	209
Pro forma balance at 30 September and				
1 October 2001	–	17,240	(1,085)	16,155
Issue of shares to the Pre-IPO Investors (note 21)	8,378	–	–	8,378
Issue of shares to the public (note 21)	38,102	–	–	38,102
Capitalisation on issue of shares (note 21)	(4,700)	–	–	(4,700)
Issue of share upon exercise of over-allotment option (note 21)	8,947	–	–	8,947
Share issue expenses	(5,767)	–	–	(5,767)
Net loss for the year	–	–	(3,187)	(3,187)
At 30 September 2002	44,960	17,240	(4,272)	57,928

Notes to Financial Statements

30 September 2002

22. RESERVES (continued)

Company	Share premium account	Capital reserve (Note b)	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 26 November 2001	–	–	–	–
Arising on acquisition of AGL	–	15,826	–	15,826
Issue of shares to the Pre-IPO Investors (note 21)	8,378	–	–	8,378
Issue of shares to the public (note 21)	38,102	–	–	38,102
Capitalisation on issue of shares (note 21)	(4,700)	–	–	(4,700)
Issue of share upon exercise of over- allotment option (note 21)	8,947	–	–	8,947
Share issue expenses	(5,767)	–	–	(5,767)
Net loss for the period	–	–	(2,170)	(2,170)
At 30 September 2002	44,960	15,826	(2,170)	58,616

Notes:

- (a) The capital reserve of the Group arose as a result of the Group Reorganisation as set out in note 1 to the financial statements and represents the difference between the nominal value of the aggregate issued share capital and the share premium account of the subsidiaries acquired under the Group Reorganisation, over the nominal value of Company's shares issued in exchange therefor.
- (b) The capital reserve of the Company arose as a result of the Group Reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before tax to net cash outflow from operating activities

	2002 HK\$'000	2001 HK\$'000
Profit/(loss) before tax	(3,163)	472
Interest income	(34)	(115)
Depreciation	2,409	2,040
Increase in inventories	(12,309)	–
Increase in accounts receivable	(2,241)	(3,098)
Increase in prepayments, deposits and other receivables	(4,629)	(59)
Increase/(decrease) in accounts payable	(105)	111
Decrease in accrued liabilities and other payables	1,726	559
Net cash outflow from operating activities	(18,346)	(90)

Notes to Financial Statements

30 September 2002

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Issued capital and share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
At 1 October 2000	100	17,240	718
Share of net loss for the year	–	–	(75)
At 30 September and 1 October 2001	100	17,240	643
Net cash inflow from financing	51,043	–	–
Share of net loss for the year	–	–	(161)
At 30 September 2002	51,143	17,240	482

(c) Major non-cash transactions

- (i) The Group Reorganisation implemented in preparation for the listing of the Company's shares on GEM involved the acquisition of AGL by the issue of shares, further details of which are set out in notes 1 and 21 to the financial statements.
- (ii) During the year, a portion of the Group's share premium account of HK\$4,700,000 (2001: Nil) was capitalised into share capital (*note 21*).

Notes to Financial Statements

30 September 2002

24. COMMITMENTS

The Group leases certain of its office premises and staff quarters under non-cancellable operating lease arrangements with lease terms ranging from one to two years.

At 30 September 2002, the Group had total future minimum lease payments in respect of non-cancellable operating leases falling due as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Land and buildings expiring:		
Within one year	1,378	985
In the second to fifth years, inclusive	875	–
	2,253	985
Equipment expiring:		
Within one year	40	40

As at 30 September 2002, the Company did not have any significant commitments (2001: Nil).

25. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 5 November 2002, the Group issued a circular (the “Circular”) to the shareholders of the Company in relation to a discloseable transaction. According to the Circular, Splendich Investment Company Limited (“SICL”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Agreement”) with Mr. Zou Zangxue (“Mr. Zou”), an independent third party, on 11 October 2002. Pursuant to the Agreement, SICL acquired the entire share capital of Lucky Mountain Group Limited (“LMGL”) and its shareholder’s loan granted by Mr. Zou to LMGL at an aggregate consideration of HK\$7,800,000. LMGL is a company incorporated in the British Virgin Islands and is engaged in the distribution of a series of Chinese pharmaceutical products, “Jinlianhua”.

The consideration was arrived at after arm’s length negotiations between Mr. Zou and SICL with reference to the shareholder’s loan and the unaudited net tangible asset value of LMGL as at 31 August 2002.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 December 2002.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the first annual general meeting of Aptus Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on 23 January 2003 at Unit 803, Hang Seng Building, 77 Des Voeux Road Central, Hong Kong to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and the reports of the directors of the Company (the “**Directors**”) and auditors for the year ended 30 September 2002;
2. to re-elect Directors and to authorise the board of Directors to fix the Directors’ remuneration;
3. to re-appoint auditors and to authorise the board of Directors to fix their remuneration;

and, as special business, to consider and, if thought fit, passing the following resolutions (the “**Resolution(s)**”) as ordinary Resolutions:

4. **“THAT:**
 - (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) (the “**GEM Listing Rules**”) operated by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as herein defined) of all the powers of the Company to allot, issue and deal with unissued shares (each a “**Share**”) of HK\$0.01 each in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as herein defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (aa) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and
 - (bb) (if the Directors are so authorised by a separate ordinary Resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of that Resolution),

and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and

Notice of Annual General Meeting

- (d) for the purposes of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law (Law 3 of 1961, as consolidated and revised) of Cayman Islands (the **“Companies Law”**), or any other applicable law of Cayman Islands to be held; and
- (iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution;

“Rights Issue” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

5. **“THAT:**

- (a) the exercise by the Directors during the Relevant Period (as herein defined) of all powers of the Company to purchase the Shares on the Stock Exchange or any other stock exchange on which the Shares of the Company may be listed and recognised by the Securities and Futures Commission and the Stock Exchange for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange, the GEM Listing Rules and all other applicable laws in this regard, be and the same is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of Shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly; and
- (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company, the Companies Law, or any other applicable law of Cayman Islands to be held; and

Notice of Annual General Meeting

(iii) the passing of an ordinary Resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.”

6. “**THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of Resolution no. 4 above in respect of the share capital of the Company referred to in sub-paragraph (bb) of paragraph (c) of such Resolution.”

By order of the board of Directors

Aptus Holdings Limited

Chen Vee Li, Felix

Chairman

Hong Kong, 30 December 2002

Notice of Annual General Meeting

Registered office:

Century Yard
Cricket Square
Hutchin Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head office and principal place

of business in Hong Kong:
Unit 803
Hang Seng Building
77 Des Voeux Road Central
Hong Kong

Notes:

- 1 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.
- 2 In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrar, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.
- 3 In relation to proposed Resolutions nos. 4 and 6 above, approval is being sought from the shareholders of the Company for the grant to the Directors of a general mandate to authorise the allotment and issue of shares under the GEM Listing Rules. The Directors have no immediate plans to issue any new shares of the Company other than shares which may fall to be issued under the share option scheme of the Company or any scrip dividend scheme which may be approved by shareholders of the Company.
- 4 In relation to proposed Resolution no. 5 above, the Directors wish to state that they will exercise the powers conferred thereby to repurchase shares in circumstances which they deem appropriate for the benefit of the shareholders of the Company. An explanatory statement containing the information necessary to enable the shareholders to make an informed decision to vote on the proposed resolution as required by the GEM Listing Rules will be set out in a separate document to be despatched to the shareholders with the annual report for the year ended 30 September 2002.