



APTUS HOLDINGS LIMITED

問博控股有限公司

(incorporated in the Cayman Islands with limited liability)

1st Quarterly Report 2003

QUARTERLY REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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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.

RESULTS

The Board of directors (the “Board”) of APTUS HOLDINGS LIMITED (the “Company”) herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 31 December 2002 together with the comparative unaudited figures for the corresponding period in 2001 as follows:

	<i>Notes</i>	Three months ended	
		2002	2001
		HK\$'000	<i>HK\$'000</i>
Turnover	<i>(2)</i>	8,203	3,299
Cost of sales		(5,648)	(1,248)
Gross profit		2,555	2,051
Other revenue		4	1
Selling and distribution costs		(721)	(436)
Administrative expenses		(2,195)	(1,823)
Loss before tax		(357)	(207)
Tax	<i>(3)</i>	–	–
Net loss before minority interests		(357)	(207)
Minority interests		87	25
Net loss from ordinary activities attributable to shareholders		(270)	(182)
Loss per share:	<i>(4)</i>		
Basic		(HK0.04 cent)	(HK0.04 cent)
Diluted		N/A	N/A

Notes:

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in 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 GEM, the Company became the holding company of the companies now comprising the Group. This was accomplished by the Company acquiring the entire share capital of Aptus Group Limited ("AGL"), the then holding company of the subsidiaries included in the Reorganisation, and thereby became the holding company of subsidiaries, 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 the prospectus of the Company dated 30 April 2002. The shares of the Company were listed on GEM on 14 May 2002.

The unaudited consolidated results of the Group for the three months ended 31 December 2002 include the results of the Company and all of its subsidiaries for the three months ended 31 December 2002.

The comparative unaudited pro forma combined results have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries since their respective dates of incorporation rather than from the date of their acquisition pursuant to the Group Reorganisation. Accordingly, the unaudited pro forma combined results of the Group for the three months ended 31 December 2001 included the results of the Company and its subsidiaries with effect from 1 October 2001 as if the current Group structure has been in existence throughout the periods. In the opinion of the Directors, the unaudited pro forma combined results prepared on the above basis present fairly the results of the Group as a whole.

All significant transactions and balances within the Group have been eliminated on consolidation/combination.

2. TURNOVER

Turnover represents the invoiced value of services provided and goods sold, net of trade discounts, returns and business tax.

3. TAX

Hong Kong Profits Tax has not been provided for the three months ended 31 December 2002 (three months ended 31 December 2001: Nil) as the Group did not generate any assessable profits in Hong Kong during these periods. Taxes on profit assessable overseas 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.

No provision for deferred tax has been provided for the Group because there were no significant timing differences at the balance sheet date (2001: Nil).

4. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 December 2002 is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months ended 31 December 2002 of approximately HK\$270,000 (three months ended 31 December 2001: HK\$182,000) and the weighted average of 618,260,000 shares in issue during the three months ended 31 December 2002 (pro forma number of shares in issue for the three months ended 31 December 2001: 480,000,000).

No diluted loss per share is shown for the three months ended 31 December 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 three months ended 31 December 2002.

No dilutive loss per share was shown for the three months ended 31 December 2001 as there was no dilutive events during that period.

5. DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 December 2002 (three months ended 31 December 2001: Nil).

6. RESERVE

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2001	–	17,240	(1,085)	16,155
Net loss for the period	–	–	(182)	(182)
At 31 December 2001	–	17,240	(1,267)	15,973
At 1 October 2002	44,960	17,240	(4,272)	57,928
Net loss for the period	–	–	(270)	(270)
At 31 December 2002	44,960	17,240	(4,542)	57,658

FINANCIAL REVIEW

Results

During the three months ended 31 December 2002, the Group recorded a turnover of approximately HK\$8.2 million (three months ended 31 December 2001: approximately HK\$3.3 million), an increase of approximately 1.5 times as compared to the previous corresponding period. The turnover for the three months ended 31 December 2002 comprised revenue derived from the provision of direct marketing services and product consulting services, and marketing and distribution of pharmaceutical products which accounted for approximately 1%, 4% and 95% (three months ended 31 December 2001: 9%, 91% and nil) of the total turnover respectively.

The increase in turnover was mainly attributable to the Group's efforts in expanding its business of marketing and distribution of pharmaceutical products. Overall gross profit margin has decreased to 31% from 62% in the corresponding period last year. The decrease was mainly due to the relatively lower gross profit margin of the Group's trading of pharmaceutical products.

The net loss attributable to shareholders for the three months ended 31 December 2002 amounted to approximately HK\$270,000 (three months ended 31 December 2001: approximately HK\$182,000). The increase in net loss from ordinary activities attributable to shareholders was mainly attributable to an increase in selling and distribution costs and administrative expenses such as rental expenses, directors' remuneration and staff costs resulting from the expansion of the Group's operations.

BUSINESS REVIEW AND PROSPECT

The Group continue its objective to position the Group as the leader commercialisation service provider in the sales and marketing of pharmaceutical healthcare products in the PRC market. The key strategic initiatives that the Group plans to implement in the near future are as follows:

To expand the marketing network

The Group intends to expand its marketing network by strengthening the human resources and supporting facilities of all departments and setting up more representative offices in the PRC. As such, it would enable the Group to better meet local demand and exploit the domestic market in the PRC.

To improve product-based revenue

The Group intends to secure more exclusive distribution rights of both overseas and local products to add to its portfolio. The Directors believe that product-based sales present an excellent opportunity to add substantial value to the Group.

To promote greater awareness of the Aptus's corporate image

To achieve this, the Group will conduct advertising and promotional activities to enhance awareness of Aptus's corporate image which in turn enlarge the market share of the Group.

OTHER INFORMATION

Directors' Interests in Securities

As at 31 December 2002, according to the register required to be kept under Section 29 of the Securities (Disclosure of interest) Ordinance ("SDI Ordinance") or otherwise notified to the Company pursuant to the minimum standard of dealings by directors as referred to in Rules 5.40 to 5.59 of the GEM Listing Rules, the interests of the Company's directors and their associates in shares of the Company or any associated corporations (as defined in the SDI Ordinance) were as follows:

Director	Number of Shares			Total interests
	Corporate interests	Personal interests	Other interests	
CHEN Vee Li, Felix	–	–	168,650,000 <i>(Note 1)</i>	168,650,000
MA Wai Hung, Vincent	12,000,000 <i>(Note 3)</i>	–	132,650,000 <i>(Note 2)</i>	144,650,000
CHEN Si Te, Frank	–	–	168,650,000 <i>(Note 1)</i>	168,650,000
WONG Kwok Yiu, Chris	–	4,800,000	–	4,800,000

Notes:

1. 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 Mr. Chen Vee Li, Felix, Mr. Chen Si Te, Frank, an executive director and a non-executive Director of the Company, respectively.
2. These Shares are beneficially owned by E-Source Limited ("E-Source Limited"), 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.
3. These Shares are beneficially owned by Jingle Holdings Limited, which is wholly and beneficially owned by Mr. Ma Wai Hung, Vincent.

Save as disclosed above, as at 31 December 2002, none of the directors or chief executive or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in Section 29 of 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.

Substantial Shareholders

As at 31 December 2002, according to the register of interests kept by the Company under section 16(1) of the SDI Ordinance, the following persons were interested in 10% or more of the issued share capital of the Company:

Name	Number of Shares	Percentage of Shareholding
Byron Bay (Note 1)	168,650,000	27.28
E-Source (Note 2)	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 Chen Vee Li, Felix.
2. E-Source is wholly owned by the Ma Trust, a discretionary trust of which the discretionary objects include the family members of Ma Wai Hung, Vincent.

Directors' Rights to Acquire Shares

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 24 April 2002, the Company has granted pre-IPO shares options on the Company's ordinary shares in favor of certain directors and employees of the Company, details of pre-IPO shares options granted to the directors are as follows:

Name of director	Number of share options granted on 24 April 2002	Exercise period of share options	Exercise price per share HK\$
CHEN Vee Li, Felix	18,000,000	14 May 2003 to 13 May 2006	0.50
MA Wai Hung, Vincent	18,000,000	14 May 2003 to 13 May 2006	0.50
WONG Kok Sun	1,250,000	14 May 2003 to 13 May 2006	0.10
LEE Chan Wah	500,000	14 May 2003 to 13 May 2006	0.10
CHEN Si Te, Frank	250,000	14 May 2003 to 13 May 2006	0.10

Note: The vesting period under the Pre-Scheme is from the date of grant until the commencement of the exercise period.

At the same date of adoption of the aforesaid Pre-Scheme, a post-IPO share option scheme (the “Post-Scheme”) was also approved by the Company. Under the terms of the Post-Scheme, the board of directors may, at their discretion, grant options to any full-time employee and any director of the Company or its subsidiaries, including any executive, non-executive or independent non-executive directors. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes of the Company must not exceed 30% of the shares in issue from time to time. Details of post-IPO shares options granted to the non-executive and independent non-executive directors are as follows:

Name of non-executive/ independent non-executive director	Number of share options granted on 11 July 2002	Exercise period of share options	Exercise price per share HK\$
CHEN Si Te, Frank	400,000	11 July 2002 to 10 July 2012	0.612
WONG Kwok Yiu, Chris	400,000	11 July 2002 to 10 July 2012	0.612
YAU Yat Yin	400,000	11 July 2002 to 10 July 2012	0.612
MA Ching Nam	400,000	11 July 2002 to 10 July 2012	0.612

Save as disclosed above, the Company is not a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

Competing Interest

None of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company had an interest in a business which competes with the Company or may compete with the business of the Group.

Sponsor’s Interests

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 Listing Rules) had any interests in any class of securities of the Company or any other company in the Group (including options or rights to subscribe for such securities) as at 31 December 2002.

Pursuant to the agreement dated 29 April 2002 entered into 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.

Audit Committee

The Company set up an audit committee (the "Committee") on 24 April 2002, with written terms of reference in compliance with the GEM Listing Rules. The Committee's primary duties are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Directors. The Committee comprises two independent non-executive directors, namely Mr. MA Ching Nam and Dr. YAU Yat Yin. The consolidated results of the Group for the three months ended 31 December 2002 have been reviewed by the Committee, who were of the opinion that such statements complied with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosure had been made.

Purchase, sale and redemption of the Company's listed securities

The Company was listed on 14 May 2002. From 14 May 2002 to 31 December 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
CHEN Vee Li, Felix
Chairman

Hong Kong, 13 February 2003