# APTUS HOLDINGS LIMITED

問博控股有限公司

(incorporated in the Cayman Islands with limited liability)

Interim Report 2003

INTERIM 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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities trade on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**



***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 "Directors") of Aptus Holdings Limited (the "Company") herein presents the condensed unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and six months ended 31 March 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

| | | Six months ended 31 March | | Three months ended 31 March | |
|---|---|---|---|---|---|
| | | **2003** | 2002 | **2003** | 2002 |
| | | **(Unaudited)** | (Unaudited) | **(Unaudited)** | (Unaudited) |
| | *Notes* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| **TURNOVER** | *3* | **13,442** | 7,726 | **5,239** | 4,427 |
| Cost of sales | | **(9,431)** | (3,147) | **(3,783)** | (1,899) |
| Gross profit | | **4,011** | 4,579 | **1,456** | 2,528 |
| Other revenue | | **4** | 1 | **–** | – |
| Selling and distribution costs | | **(1,873)** | (901) | **(1,152)** | (465) |
| Administrative expenses | | **(4,703)** | (4,058) | **(2,508)** | (2,235) |
| **LOSS BEFORE TAX** | *4* | **(2,561)** | (379) | **(2,204)** | (172) |
| Tax | *5* | **–** | – | **–** | – |
| **LOSS BEFORE MINORITY INTERESTS** | | **(2,561)** | (379) | **(2,204)** | (172) |
| Minority interests | | **130** | 50 | **43** | 25 |
| **NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS** | | **(2,431)** | (329) | **(2,161)** | (147) |
| **LOSS PER SHARE** | *6* | | | | |
| – Basic | | **HK0.39 cent** | HK0.07 cent | **HK0.35 cent** | HK0.03 cent |
| – Diluted | | **N/A** | N/A | **N/A** | N/A |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | As at 31 March 2003 (Unaudited) HK$'000 | As at 30 September 2002 (Audited) HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Fixed assets | | **12,872** | 14,253 |
| Long term deposit | | **14,275** | 6,800 |
| | | **27,147** | 21,053 |
| **CURRENT ASSETS** | | | |
| Inventories | | **15,958** | 12,309 |
| Accounts receivable | *8* | **7,909** | 8,087 |
| Prepayment, deposits and other receivables | | **5,125** | 4,895 |
| Cash and bank balances | | **8,433** | 25,182 |
| | | **37,425** | 50,473 |
| **CURRENT LIABILITIES** | | | |
| Accounts payable | *9* | **165** | 6 |
| Accrued liabilities and other payables | | **1,852** | 3,404 |
| Tax payable | | **523** | 523 |
| Bank overdraft, unsecured | | **–** | 3,000 |
| | | **2,540** | 6,933 |
| **NET CURRENT ASSETS** | | **34,885** | 43,540 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **62,032** | 64,593 |
| **MINORITY INTERESTS** | | **352** | 482 |
| | | **61,680** | 64,111 |
| **CAPITAL AND RESERVES** | | | |
| Issued capital | | **6,183** | 6,183 |
| Reserves | | **55,497** | 57,928 |
| | | **61,680** | 64,111 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | **Six months ended 31 March 2003 (Unaudited)** ***HK$'000*** | Six months ended 31 March 2002 (Unaudited) *HK$'000* |
|---|---|---|
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | **(5,792)** | (1,315) |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | **(7,957)** | (4,914) |
| NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES | **(3,000)** | 8,800 |
| INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | **(16,749)** | 2,571 |
| Cash and cash equivalents at beginning of the period | **25,182** | 195 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | **8,433** | 2,766 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | **8,433** | 2,766 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES OF EQUITY (UNAUDITED)

| | Share capital | Share premium | Capital reserve | Accumulated losses | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 1 October 2001** | – | – | 17,240 | (1,085) | 16,155 |
| Issue of shares to Pre-IPO investors | 422 | 8,378 | – | – | 8,800 |
| Issue of shares for group reorganisation | 100 | – | – | – | 100 |
| Net loss for the period | – | – | – | (329) | (329) |
| **At 31 March 2002** | 522 | 8,378 | 17,240 | (1,414) | 24,726 |
| **At 1 October 2002** | 6,183 | 44,960 | 17,240 | (4,272) | 64,111 |
| Net loss for the period | – | – | – | (2,431) | (2,431) |
| **At 31 March 2003** | 6,183 | 44,960 | 17,240 | (6,703) | 61,680 |

*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 "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 the 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 six months ended 31 March 2003 include the results of the Company and all of its subsidiaries for the six months ended 31 March 2003.

The comparative unaudited consolidated results have been prepared using the merger basis of accounting as a results 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 consolidated results of the Group for the six months ended 31 March 2003 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 consolidated 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.

The principal accounting policies adopted in the 2001/2002 Annual Accounts have been applied to the Interim Results.

## 2. EFFECT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current periods' financial statements:

- SSAP 1 (Revised) : "Presentation of financial statements"
- SSAP 11 (Revised) : "Foreign currency translation"
- SSAP 15 (Revised) : "Cash flow statements"
- SSAP 34 : "Employee benefits"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting those SSAPs which have had a significant effect on the financial statements are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented in place of the consolidated statement of recognised gains and losses that was previously required.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated into Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised.

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits.

## 3. TURNOVER AND SEGMENT INFORMATION

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

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 table presents revenue and results information for the Group's business segments.

| | Services provision | | Trading | | Consolidated | |
|---|---|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 | **2003** | 2002 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Segment revenue: | | | | | | |
| Sales to external customers | **575** | 7,726 | **12,867** | – | **13,442** | 7,726 |
| Segments results | **(387)** | 2,539 | **2,474** | – | **2,087** | 2,539 |
| Unallocated income | | | | | **4** | 1 |
| Unallocated expenses | | | | | **(4,652)** | (2,919) |
| Loss before tax | | | | | **(2,561)** | (379) |
| Tax | | | | | **–** | – |
| Loss before minority interests | | | | | **(2,561)** | (379) |
| Minority interests | | | | | **130** | 50 |
| Net loss from ordinary activities attributable to shareholders | | | | | **(2,431)** | (329) |

## 4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

| | For the six months ended 31 March | | For the three months ended 31 March | |
|---|---|---|---|---|
| | **2003** | 2002 | **2003** | 2002 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Cost of services provided | **211** | 3,147 | **68** | 1,899 |
| Cost of inventories sold | **9,220** | – | **3,715** | – |
| Interest on overdraft | **2** | – | **–** | – |
| Depreciation | **1,537** | 1,024 | **761** | 487 |

## 5. TAX

Hong Kong Profits Tax has not been provided for the three months and six months ended 31 March 2003 (three months and six months ended 31 March 2002: 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 respective balance sheet date.

## 6. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 31 March 2003 is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months and six months ended 31 March 2003 of approximately HK$2.2 million and HK$2.4 million respectively (three months and six months ended 31 March 2002: net loss of approximately HK$0.2 million and HK$0.3 million respectively) and the weighted average of 618,260,000 shares in issue during the three months and six months ended 31 March 2003 (weighted average number of shares in issue for the three months and six months ended 31 March 2002: 495,275,836 shares and 487,637,918 shares respectively).

No diluted loss per share is shown for the three months and six months ended 31 March 2003 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 and six months ended 31 March 2003.

No dilutive loss per share was shown for the three months and six months ended 31 March 2003 as there was no dilutive events during that period.

## 7. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 31 March 2003 (six months ended 31 March 2002: Nil).

## 8. 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 uncollectiable 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 account receivable at the balance sheet date, based on the date of goods delivered and services rendered, is as follows:

| | **31 March 2003 (Unaudited)** ***HK$'000*** | 30 September 2002 (Audited) *HK$'000* |
|---|---|---|
| Within 90 days | **7,806** | 8,047 |
| 91 to 180 days | **103** | 40 |
| | **7,909** | 8,087 |

## 9. ACCOUNTS PAYABLE

At 31 March 2003, the accounts payable were aged within 90 days, which was based on the date of goods delivered and services received.

## MANAGEMENT DISCUSSION AND ANALYSIS

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.

## BUSINESS REVIEW AND PROSPECT

For the period under review, the Group continues to pursue its objective to position the Group as the leading commercialisation service provider in the sale and marketing of pharmaceutical and healthcare products in the PRC. Save for the turnover derived from the sale and marketing of pharmaceutical products, the turnover derived from the product consulting services, direct marketing services and sales force management consulting services have been reduced as compared with that of the previous corresponding period. The Group expects the performance of the aforesaid businesses will improve as a number of product consulting projects that are in progress will be completed in the coming quarters. Recently, the Group have entered into two contracts for providing product consulting services with a multi-national pharmaceutical company and a bio-chemical company, a company listed in the GEM Board of The Stock Exchange.

## FINANCIAL REVIEW

### Results

During the six months ended 31 March 2003, the Group recorded a turnover of approximately HK$13.4 million (six months ended 31 March 2002: approximately HK$7.7 million), an increase of approximately 74% as compared to the previous corresponding period. The turnover for the six months ended 31 March 2003 comprised revenue derived from the provision of sales force management consulting services, direct marketing services, product consulting services, and marketing and distribution of pharmaceutical products which accounted for approximately nil, 1%, 4%, and 95% (six months ended 31 March 2002: 27%, 8%, 65% and nil) of the total turnover respectively.

The increase in turnover was mainly attributable to the Group's effort in expanding its business of marketing and distribution of pharmaceutical products. Overall gross profit margin for the six months ended 31 March 2003 has decreased to 30% from 59% 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 six months ended 31 March 2003 amounted to approximately HK$2.4 million (six months ended 31 March 2002: approximately HK$0.3 million). The substantial increase in net loss from ordinary activities attributable to shareholders was mainly attributable to an increase in expenditure for marketing network expansion in the PRC.

### Liquidity, financial resources and capital structure

During the six months ended 31 March 2003, the Group financed its operations mainly with its own working capital. As at 31 March 2003, the Group had total assets of approximately HK$64.6 million (30 September 2002: HK$71.5 million), including cash and cash equivalent of approximately HK$8.4 million (30 September 2002: HK$25.2 million).

As at 31 March 2003, the Group had a current ratio of approximately 14.7 as compared to that of 7.3 as at 30 September 2002.

Most of the transactions of the Group are denominated in Hong Kong dollars and Renminbi. As the exchange rate risk of 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.

The Group did not have any charges on its assets during the period under review. The gearing ratio of the Group, based on total bank loans to shareholders' equity, was nil as at 31 March 2003 (30 September 2002: approximately 5%).

**Significant investment**

As at 31 March 2003, there was no significant investment held by the Group (30 September 2002: nil).

**Material acquisition or disposal of subsidiaries and affiliated companies**

There were no material acquisitions or disposal of subsidiaries and affiliated companies in the course of the six months ended 31 March 2003.

**Segment information**

An analysis of the Group's turnover and contribution to results by principal activities for the six months ended 31 March 2003 is set out in note 3 to the announcement.

**Future 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" and "Comparison of Business Objectives with Actual Business Progress" in this announcement, the Group did not have any plan for material investments or capital assets.

**Contingent liabilities**

The Group had no material contingent liabilities (30 September 2002: nil).

**Employees and remuneration policies**

As at 31 March 2003, the Group employed a total of 75 full time employees. Remuneration is determined with 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.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set our in the prospectus of the Company dated 30 April 2002 (the "Prospectus") for the six months ended 31 March 2003.

| | Business objectives up to 31 March 2003 as stated in the Prospectus | Actual business progress/ change in business objective up to 31 March 2003 |
|---|---|---|
| **1. Direct Marketing Team Expansion** | – Recruit direct marketing account executives | – number of direct marketing account executives had been increased |
| | – Recruit direct marketing support personnel | – number of direct marketing support personnel had been increased |
| | – Improve direct marketing support facilities | – additional facilities, mainly computer equipments had been purchased |
| **2. Product Consulting Team Expansion** | – Recruit product consulting account executives | – number of product consulting account executives had been increased |
| | – Recruit product consulting support personnel | – number of product consulting support personnel had been increased |
| | – Purchase additional support facilities | – additional facilities, mainly computer equipments had been purchased |
| **3. Sales Force Management Consulting Team Expansion** | – Recruit account executives | – number of account executives had been increased |
| | – Set up additional facilities and representative offices | – additional facilities, mainly computer equipments had been purchased |
| | | – Shanghai representative office had been set up |

| | Business objectives up to 31 March 2003 as stated in the Prospectus | Actual business progress/ change in business objective up to 31 March 2003 |
|---|---|---|
| **4. Distribution Rights Acquisition** | – Secure additional pharmaceutical product distribution rights | – acquisition of exclusive distribution rights of five Korean products<br>– acquisition of exclusive distribution rights of Jin Lian Hua products |
| **5. Database Management Enhancement** | – Enrich database content | – phase one of database enrichment had been completed |
| | – Upgrade hardware and software computer facilities | – hardware and software had been upgraded |
| | – Recruit database personnel | – number of database personnel had been increased |
| **6. Internet and E-Commerce Development** | – Enrich internet portal content | – internet portal content enrichment is in progress |
| | – Establish e-commerce platform | – initial stage of development |

## USE OF PROCEEDS

The Company obtained net proceeds, after deducting all relevant expenses, of approximately HK$42.5 million from the new issue of shares by way of placing. Up to 31 March 2003, the Group has applied the net proceeds as follows:

| | Amount extracted from the Prospectus dated 30 April 2002 | | Change in use of proceeds | Actual amount used up to 31 March 2003 |
|---|---|---|---|---|
| | **Total** | **Up to 31 March 2003** | *(Note)* | |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Expenditure in relation to direct marketing team expansion | 8,000 | 4,400 | | 5,642 |
| Expenditure in relation to product consulting team expansion | 8,000 | 4,400 | (4,000) | 3,560 |
| Expenditure in relation to sales force management consulting team expansion | 6,700 | 3,400 | (3,100) | 3,600 |
| Expenditure in relation to distribution rights acquisition | 7,500 | 5,900 | 7,100 | 14,600 |
| Expenditure in relation to database management enhancement | 6,400 | 3,200 | | 5,290 |
| Expenditure in relation to internet and e-commerce development | 800 | 400 | | 400 |
| Expenditure in relation to service coverage extension | 2,500 | – | | – |
| Expenditure in relation to secure overseas alliances | 1,500 | – | | – |
| General working capital | 1,100 | 1,100 | | 1,100 |
| | 42,500 | 22,800 | | 34,192 |

The remaining net proceeds as at 31 March 2003, was approximately HK$8.3 million and has been placed as bank deposits.

*Note:* On 5 November 2002, the Group issued a circular (the "Circular") in relation to the acquisition (the "Acquisition") of entire share capital of Lucky Mountain Group Limited ("LMGL"). LMGL is the exclusive worldwide distributor of Jinlianhua products. According to the Circular, part of the placing proceeds, as mentioned in the paragraph headed "Business objectives and future plans" under the section headed "Summary of the prospectus" in the Prospectus, was reallocated to finance the consideration of the Acquisition.

## DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, 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:

| | Number of issued ordinary shares of HK$0.01 each in the Company and nature of interests | | | |
|---|---|---|---|---|
| **Director** | **Corporate** | **Personal** | **Other** | **Total** |
| CHEN Vee Li, Felix | – | – | 168,650,000 *(Note 1)* | 168,650,000 |
| MA Wai Hung, Vincent | 12,000,000 *(Note 3)* | – | 132,650,000 *(Note 2)* | 144,650,000 |
| CHEN Si Te, Frank | – | – | 168,650,000 *(Note 1)* | 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 Chen Vee Li, Felix, 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"), 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 Ma Wai Hung, Vincent, an executive director of the Company.

3. These shares are beneficially owned by Jingle Holdings Limited, which is wholly beneficially owned by Ma Wai Hung, Vincent, an executive director of the Company.

Save as disclosed above, as at 31 March 2003, none of the directors or their associates had any personal, family, corporate or other beneficial interests in the issued capital 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 March 2003, 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 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 Ma Wai Hung, Vincent.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the period 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 director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse of children under 18 years of age to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The principal purpose of the share option scheme is to recognise the significant contributions of the 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 incentive to these persons to continue to contribute to the Group's long term success and prosperity.

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 at 1 October 2002 and 31 March 2003** | **Date of grant of Pre-IPO Scheme Options (Note)** | **Exercise period of share options** | **Exercise price per share** |
|---|---|---|---|---|
| | | | | *HK$* |
| 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 | 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 |
| | 38,000,000 | | | |
| **Other employees** | | | | |
| In aggregate | 9,500,000 | 24 April 2002 | 14 May 2003 to 13 May 2006 | 0.10 |
| Total | 47,500,000 | | | |

*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 at 1 October 2002 and 31 March 2003 | Date of grant of Post-IPO Scheme Options | Exercise period of share options | Exercise price per share |
|---|---|---|---|---|
| | | | | *HK$* |
| CHEN Si Te, Frank | 400,000 | 11 July 2002 | 11 July 2002 to 10 July 2012 | 0.612 |
| WONG Kwok Yiu, Chris | 400,000 | 11 July 2002 | 11 July 2002 to 10 July 2012 | 0.612 |
| MA Ching Nam | 400,000 | 11 July 2002 | 11 July 2002 to 10 July 2012 | 0.612 |
| YAU Yat Yin | 400,000 | 11 July 2002 | 11 July 2002 to 10 July 2012 | 0.612 |
| | 1,600,000 | | | |
| **Other employees** | | | | |
| In aggregate | 6,850,000 | 11 July 2002 | 11 July 2002 to 10 July 2012 | 0.612 |
| Total | 8,450,000 | | | |

## 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 GEM 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 March 2003.

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.

## 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 throughout the period under review.

## AUDIT COMMITTEE

The Company established an audit committee ("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 six months ended 31 March 2003 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

During the six months ended 31 March 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
**CHEN Vee Li, Felix**
*Chairman*

Hong Kong, 14 May 2003