



APTUS HOLDINGS LIMITED

問博控股有限公司

(Incorporated in the Cayman Islands with limited liability)

3rd Quarterly 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded 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.

The Stock Exchange takes no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of Aptus Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at 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 nine months ended 30 June 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

	Notes	Nine months ended		Three months ended	
		30 June		30 June	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	(2)	14,470	12,451	1,028	4,725
Cost of sales		(12,755)	(4,714)	(3,324)	(1,567)
Gross profit		1,715	7,737	(2,296)	3,158
Other revenue		6	1	2	–
Selling and distribution costs		(3,193)	(1,452)	(1,320)	(551)
Administrative expenses		(8,268)	(6,194)	(3,565)	(2,136)
Other operating costs	(3)	(15,958)	–	(15,958)	–
Profit/(loss) before tax		(25,698)	92	(23,137)	471
Tax	(4)	–	(45)	–	(45)
Net profit/(loss) before minority interests		(25,698)	47	(23,137)	426
Minority interests		434	42	304	(8)
Net profit/(loss) from ordinary activities attributable to shareholders		(25,264)	89	(22,833)	418
Earnings/(loss) per share:	(5)				
Basic		(4.086) cents	0.0172 cent	(3.693) cents	0.0727 cent
Diluted		N/A	0.0171 cent	N/A	0.0713 cent

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 nine months ended 30 June 2003 include the results of the Company and all of its subsidiaries for the nine months ended 30 June 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 nine months ended 30 June 2002 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 accounting policies adopted and methods of computation used in the preparation of these financial statements are consistent with those used in the Group's annual financial statements for the year ended 30 September 2002 except for the new and revised Hong Kong Statements of Standard Accounting Practice as detailed in the Group's interim report for the six months ended 31 March 2003.

2. TURNOVER

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

3. OTHER OPERATING COSTS

Other operating costs represents the provision of inventories.

4. TAX

Hong Kong Profits Tax has not been provided for the three months and nine months ended 30 June 2003 (three months and nine months ended 30 June 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 balance sheet date (2002: Nil).

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic loss per share for the three months and nine months ended 30 June 2003 is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months and nine months ended 30 June 2003 of approximately HK\$22,833,000 and HK\$25,264,000 respectively (unaudited net profit from ordinary activities attributable to shareholders for the three months and nine months ended 30 June 2002: approximately HK\$418,000 and HK\$89,000 respectively) and the weighted average of 618,260,000 shares in issue during the three months and nine months ended 30 June 2003 (weighted average number of shares in issue for the three months and nine months ended 30 June 2002: 574,605,000 and 516,641,000 shares).

No diluted loss per share is shown for the three months and nine months ended 30 June 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 nine months ended 30 June 2003.

The calculation of diluted earnings per share for the three months and nine months ended 30 June 2002 is based on the unaudited net profit from ordinary activities attributable to shareholders for the three months and nine months ended 30 June 2002 of approximately HK\$418,000 and HK\$89,000 respectively and the weighted average of 586,368,000 and 520,562,000 shares in issue respectively during the three months and nine months ended 30 June 2002.

6. DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 June 2003 (nine months ended 30 June 2002: Nil).

7. 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
Issue of shares to Pre-IPO investors	8,378	–	–	8,378
Net loss for the period	–	–	(329)	(329)
At 31 March 2002 and at 1 April 2002	8,378	17,240	(1,414)	24,204
Issue of share to public	38,102	–	–	38,102
Issue of shares upon exercise of over-allotment option	8,947	–	–	8,947
Capitalisation on issue of share	(4,700)	–	–	(4,700)
Share issue expenses	(5,767)	–	–	(5,767)
Net profit for the period	–	–	418	418
At 30 June 2002	44,960	17,240	(996)	61,204
At 1 October 2002	44,960	17,240	(4,272)	57,928
Net loss for the period	–	–	(2,431)	(2,431)
At 31 March 2003 and at 1 April 2003	44,960	17,240	(6,703)	55,497
Net loss for the period	–	–	(22,833)	(22,833)
At 30 June 2003	44,960	17,240	(29,536)	32,664

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. Commercialization services encompass direct marketing, product consulting and sales force management consulting services.

BUSINESS REVIEW AND PROSPECT

For the period under review, the performance of the Group was not as good as expected. The business environment in the PRC was adversely affected by the recent outbreak of Severe Acute Respiratory Syndrome or the SARS (“the Outbreak”). The turnover was less than the management’s expectation as some of the contracts under negotiation were postponed or cancelled. The net loss attributable to shareholders was higher than that as compared with the previous quarter. Such loss was mainly attributable to the provision of inventories, mainly raw materials, by the Group. Due to the Outbreak, our customer could not carry out quality inspection of the products. Moreover, the quality of the products was adversely affected by the lengthy storage time and consequently some sale orders were then cancelled by our customer. In view of the potential loss to the Group, our management had exercised their best endeavours to protect the interests of the Group by negotiating with the customer to honour the terms of the sales contracts and seeking other customers to purchase the affected inventories. As at the date of this announcement, negotiation with the customer is still continuing and no new contract has yet been entered into for the sale of the affected inventories. For prudence sake, the management considers that it is necessary to make provision for the inventories for the quarter ended 30 June 2003. As the magnitude of the Outbreak have been stabilised and controlled together with the recovery of business environment in the PRC, the Group’s performance is expected to improve in the coming quarters.

Recently, the Group have entered into an agreement with Westport International Group Co. Limited (“Westport”) in relation to the acquisition of 50.1% issued share capital of Toowong International Laboratories Limited (“Toowong”). Toowong is the exclusive licensee of the intellectual property rights of the formulae of which are owned by Westport, both for the “Apura Skin Preparation” brand name and other brand name. Toowong will principally be engaged in the sales and distribution of skincare, therapeutic, medicated and healthcare products and other similar and related dermatological products and other related healthcare products under such brand names. In view of the growth potential of the PRC skincare market which has grown steadily in the past years, the Group will be able to enhance its future revenue further in such line of business.

FINANCIAL REVIEW

Results

During the nine months ended 30 June 2003, the Group recorded a turnover of approximately HK\$14.5 million (nine months ended 30 June 2002: approximately HK\$12.5 million), an increase of approximately 16% as compared to the previous corresponding period. The turnover for the nine months ended 30 June 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%, 7%, and 92% (nine months ended 30 June 2002: 34%, 5%, 61% and nil) of the total turnover respectively. Overall gross profit margin has decreased to 12% from 62% in the corresponding period last year. The decrease was mainly due to the relatively lower gross profit margin of the Group's distribution of pharmaceutical products.

Due to the adverse impact resulted from the Outbreak, the net loss attributable to shareholders for the nine months ended 30 June 2003 amounted to approximately HK\$25,264,000 (net profit attributable to shareholders for the nine months ended 30 June 2002: approximately HK\$89,000).

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2003, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules, were as follows:

Director	Number of Shares			Total interests
	Corporate interests	Personal interests	Other interests	
CHEN Vee Li, Felix	–	–	118,650,000 <i>(Note 1)</i>	118,650,000
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	–	–	118,650,000 <i>(Note 1)</i>	118,650,000
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 and 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”), 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, a non-executive director of the Company.
3. These Shares are beneficially owned by Jingle Holdings Limited, which is wholly and beneficially owned by Mr. Ma Wai Hung, Vincent, a non-executive director of the Company.

Save as disclosed above, as at 30 June 2003, none of the directors had any other interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, other than the interests of certain directors as disclosed under the section headed “Directors’ interests in shares” above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or substantial shareholders as recorded in the register of substantial shareholder required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Number of Shares	Percentage of Shareholding
Byron Bay (<i>Note 1</i>)	118,650,000	19.19
Dong Ming Jie, Jacqueline (<i>Note 2</i>)	118,650,000	19.19
E-Source (<i>Note 3</i>)	132,650,000	21.46
Chow Alex (<i>Note 4</i>)	50,000,000	8.09
Chung Yi Wen, Alan (<i>Note 4</i>)	39,900,000	6.45

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. Dong Ming Jie, Jacqueline, the spouse of Chen Vee Li, Felix is one of the discretionary objects of the Chen Trust.
3. E-Source is wholly owned by the Ma Trust, a discretionary of which the objects include the family members of Ma Wai Hung, Vincent.
4. Chow Alex and Chung Yi Wen, Alan own the shares in their personal capacity.

Save as disclosed above, as at 30 June 2003, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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 <i>HK\$</i>
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 <i>HK\$</i>
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
MA Ching Nam	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

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 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 30 June 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, since the listing of the Company's shares on GEM on 14 May 2002.

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 nine months ended 30 June 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 nine months ended 30 June 2003, 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, 12 August 2003