Aptus Holdings Limited

APTUS

2003

ANNUAL REPORT

APTUS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

APTUS

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Vee Li, Felix *(Chairman)*
Mr. Wong Kok Sun
Mr. Lee Chan Wah

Non-executive Directors

Mr. Ma Wai Hung, Vincent
Mr. Chen Si Te, Frank
Dr. Wong Kwok Yiu, Chris

Independent Non-executive Directors

Mr. Ma Ching Nam
Dr. Yau Yat Yin

COMPANY SECRETARY

Mr. Lee Chan Wah, FCCA, AHKSA

COMPLIANCE OFFICER

Mr. Chen Vee Li, Felix

AUDIT COMMITTEE

Mr. Ma Ching Nam
Dr. Yau Yat Yin

AUTHORISED REPRESENTATIVES

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

LEGAL ADVISER TO THE COMPANY

Michael Li & Co

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
Ground Floor
BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

GEM STOCK CODE

8212

Dear shareholders,

On behalf of the board of Directors (the "Board") of Aptus Holdings Limited (the "Company"), I herein presents the results of the Company and its subsidiaries (the "Group") for the year ended 30 September 2003.

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

Our operations encountered a difficult and disappointing financial year. Our operations were badly affected by the unexpected attack of the Severe Acute Respiratory Syndrome ("SARS") epidemic. The SARS epidemic had evolved into a crisis over the world. Many businesses in PRC had been ground to an almost stand still situation during the SARS crisis. And many businesses were severely affected.

Product commercialisation services

For the financial year ended 30 September 2003, the Group recorded a turnover of approximately HK$1.5 million for product commercialisation services, representing a decline of approximately 87.9% as compared to HK$12.4 million recorded in the corresponding period of last year. The decline in turnover can be attributed to the fact that firstly, the Group had utilized majority of its resources in trading of pharmaceutical products. Secondly, as most of the Group's customers are multi-national pharmaceutical companies, many of them had cancelled or reduced business activities and travel in the PRC during the outbreak of SARS. Many contracts under negotiation were therefore cancelled or delayed.

Trading of pharmaceutical products

For the financial year ended 30 September 2003, the Group recorded a turnover of approximately HK$15.7 million for trading of pharmaceutical products, representing an increase of approximately 93% as compared to HK$8.1 million recorded in the corresponding period of last year. The reason for the increase in turnover is due to the Group focused on the expansion on such line of business. During the year under review, the Group acquired an exclusive distribution right of a pharmaceutical product, namely, Jinlianhua. Moreover, in view of the growth potential of the PRC skincare market which has grown steadily in the past years, the Group acquired the exclusive licensee of the intellectual property rights of the formulae of skincare, therapeutic, medicated and healthcare products and other similar and related dermatological products and other related healthcare products under the "Apura Skin Preparation" brand name.

The outbreak of SARS negatively affected such line of business. The Group's customers were severely affected by varying degree. The schedule of account receivables repayment was delayed and provision was made for the inventories as quality of the inventories were affected by the lengthy storage time during the SARS period and consequently sale orders of such inventories were cancelled. The financial performance of the Group was negatively impacted.

In view of these negative impacts, the Group adopted a conservative business strategy by swifting its focus back to provision of products commercialisation services which require relatively lesser resources and has a relatively higher profit margin. On the operation side, the management realigned the organisational structure of the Group and adopted certain operational plans, which streamlined the operation and increased the operational efficiency in various areas of operating the Group's business.

FINANCIAL REVIEW

Net loss from ordinary activities of the Group attributable to shareholders for the year ended 30 September 2003 amounted to approximately HK$53.3 million (2002: HK$3.2 million). Such loss mainly attributable to the increase in cost of sales and other operating expenses.

The decrease of overall gross profit margin was due to the provision of inventories amounted to HK$15.9 million. The Group recorded turnover of approximately HK$17.2 million, a decrease of approximately 16.5% compared HK$20.5 million in the last financial year. The outbreak of SARS was severely affected the performance of the Group. The increase in net loss from ordinary activities attributable to shareholders was mainly attributable to an increase in administrative and other operating expenses. The increase in administrative expenses can be attributed to an increase in auditors' remuneration and depreciation. Other operating expenses accounted for the written off of long term deposit, provision for doubtful debts, impairment and amortisation of intangible assets and impairment of fixed assets of approximately HK$3.4 million, HK$6 million, HK$5.8 million and HK$4.2 million respectively.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2003, the Group had assets of approximately HK$25 million (2002: HK$72 million), including net cash and bank balances of approximately HK$6.4 million (2002: HK$22.2 million).

During the year ended 30 September 2003, the Group financed is operations and investing activities with internally generated cash flows and the balance of the proceeds from issuance of new shares. There was no charge on the Group's assets as at 30 September 2003 and 2002.

As at 30 September 2003, the Group did not have any bank borrowings nor any banking facilities. The gearing ratio, defined as the ratio between total bank borrowings and shareholders' equity, was 0% (2002: 5%).

On 29 August 2003 and 30 September 2003, the Group issued convertible note for US$325,000 (approximately HK$2.54 million) and HK$5,000,000 respectively. The maturity date of both notes is 12 months from the issuance date and interest rate of both notes is 3% per annum.

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 2003, the Group had no contingent liabilities.

SEGMENT INFORMATION

For business segments, the revenue of the Group comprises two segments, namely, services provision and trading. As to the geographical segments, over 90% of the Group's revenue and assets are derived from customer based in the PRC.

Please also refer to note 5 to the financial statements for details on business and geographical segment.

SIGNIFICANT INVESTMENT

During the year under review, there was no significant investment held by the Group (2002: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year, the Group acquired the entire issued share capital of Lucky Mountain Group Limited. Further details refer to notes 17 and 28(c) to the financial statements. Save as disclosed above, 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 announcement, the Group did not have any plan for material investments or capital assets.

EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30 September 2003, the Group had 54 (2002: 75) 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.

BUSINESS PROSPECTS

The PRC market recover from the after effects of SARS and will bring numerous opportunities to pharmaceutical industry. The Group expects that the more positive outlook towards the economy of the PRC will enhance the performance of product commercialisation services in the coming quarters. Moreover, the Group will continue to tighten its control on operating costs.

ACKNOWLEDGEMENT

Finally, I would like to thank my fellow directors and staff for the enormous effort and commitment they made in overcoming many challenges to achieve the year's result, and thank our shareholders for their trust and support.

CHEN Vee Li, Felix
Chairman

Hong Kong, 19 March 2004

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing of business objectives as stated in the Company's prospectus dated 30 April 2002 with the Group's actual business progress up to 30 September 2003 is set out below:

	Business objectives up to 30 September as stated in the Prospectus	Actual business progress up to 30 September 2003
1. Direct Marketing Team Expansion	– Recruit direct marketing account executives	– number of direct marketing account executives increased
	– Recruit direct marketing support personnel	– number of direct marketing support personnel increased
	– Improve direct marketing support facilities	– additional facilities, mainly computer equipments were purchased
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 purchased
3. Sales Force Management Consulting Team Expansion	– Recruit account executives	– number of account executives increased
	– Set up additional facilities and representative offices	– additional facilities, mainly computer equipments were purchased
		– Shanghai representative office was set up

	Business objectives up to 30 September as stated in the Prospectus	Actual business progress up to 30 September 2003
4. Distribution Rights Acquisition	– Secure additional pharmaceutical product distribution rights	– acquisition of exclusive distribution right of five Korean products
		– acquisition of exclusive distribution right of Jinlianhua products
		– acquisition of exclusive distribution right of skincare and health care products
5. Database Management Enhancement	– Enrich database content	– phase two of database enrichment is completed
	– Upgrade hardware and software computer facilities	– hardware and software of computer facilities had been upgraded
	– 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
	– Establish e-commerce platform	– planning stage
7. Service Coverage Extension	– Introduce human resources management services	– planning stage

USE OF PROCEEDS

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 2003, the net proceeds were applied in the following areas:

	Amount extracted from the Prospectus dated 30 April 2002			
	Total *HK$'000*	**Up to 30 September 2003** *HK$'000*	**Change in use of proceeds** *HK$'000* *(Note)*	**Actual amount used up to 30 September 2003** *HK$'000*
Expenditure in relation to direct marketing team expansion	8,000	5,600		8,000
Expenditure in relation to product consulting team expansion	8,000	5,600	(4,000)	4,000
Expenditure in relation to sales force management consulting team expansion	6,700	5,100	(3,100)	3,600
Expenditure in relation to distribution rights acquisition	7,500	6,700	7,100	14,600
Expenditure in relation to database management enhancement	5,400	4,800		5,400
Expenditure in relation to internet and e-commerce development	800	600		600
Expenditure in relation to service coverage extension	2,500	500		955
Expenditure in relation to secure overseas allowances	1,500	–		195
General working capital	1,100	1,100		1,100
	41,500	30,000		38,450

The remaining net proceeds as at 30 September 2003, was approximately HK$3.1 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 plan" under the section headed "Summary of the prospectus" in the Prospectus, was reallocation to finance the consideration of the Acquisition.

EXECUTIVE DIRECTORS

CHEN Vee Li, Felix（陳維立）, aged 38, is the co-founder, the 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 for 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.

LEE Chan Wah（李燦華）, aged 35, 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 31, is an executive Director. He graduated from the Western Michigan University, the US with a bachelor degree in Finance. After graduating therefrom 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

MA Wai Hung, Vincent（馬偉雄）, aged 38, is a non-executive director 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. Mr. Ma held a management position in Soma International Limited, a major Hong Kong based toys manufacturing and trading company where he was involved in product development and management.

Dr. WONG Kwok Yiu, Chris（黃國耀）, aged 44, 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 of 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 63, is a non-executive Director, He has more than 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 a father of Mr. Chen.

INDEPENDENT NON-EXECUTIVE DIRECTORS

MA Ching Nam (馬清楠), aged 50, 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 is 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.

Dr. YAU Yat Yin (游逸燕), aged 44, 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.

SENIOR MANAGEMENT

CHOW Alex (周仁華), aged 39, 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 (李恒生), aged 42 , 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 Major. Prior to joining Aptus Group in early 2002, Mr. Lee was having 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., 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 44, 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 49, 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.

HOU, Janice (侯春風), aged 47, is a general manager of Aptus Group. Ms. Hou graduated from Beijing Television University with a diploma in professional secretary. Prior to joining Apgus 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.

RU, Nancy (茹桂軍), aged 33, is a 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.

The directors present their report and the audited financial statements of the Company and of the Group for the year ended 30 September 2003.

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 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 30 September 2003 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 24 to 63.

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

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published results of the Group for each of the four years ended 30 September 2003 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			
	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**17,154**	20,517	10,595	2,581
Profit/(loss) before tax	**(53,821)**	(3,163)	472	(1,158)
Tax	**–**	(185)	(338)	–
Profit/(loss) before minority interests	**(53,821)**	(3,348)	134	(1,158)
Minority interests	**482**	161	75	29
Net profit/(loss) from ordinary activities attributable to shareholders	**(53,339)**	(3,187)	209	(1,129)

SUMMARY FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	30 September			
	2003	2002	2001	2000
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**24,842**	71,526	19,025	21,826
Total liabilities	**(14,070)**	(6,933)	(2,127)	(5,062)
Minority interests	**–**	(482)	(643)	(718)
	10,772	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 Company's prospectus dated 30 April 2002 (the "Prospectus"). Such summary includes the results of the Company and its subsidiaries as if the current Group structure, except for those subsidiaries acquired subsequent to 30 September 2001, had been in existence throughout these financial years. The consolidated results of the Group for each of the two years ended 30 September 2002 and 2003 are those set out on page 24 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 and 2003 are those set out on page 25 of the financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised, issued share capital or share options during the year. Details of the Company's share capital and share options are set out in notes 25 and 26 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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 September 2003, the Company had no retained profits available for cash distribution and/or distribution in specie. Under the Companies Law (2001 Second Revision) of the Cayman Islands, the Company's share premium account and capital reserve of HK$44,960,000 and HK$15,826,000, respectively, as at 30 September 2003 may be distributed to the shareholders, 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 they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 99% of the total sales for the year and sales to the largest customer included therein amounted to 91%. In addition, the Group made 100% of its total purchases from two suppliers and purchases from the largest supplier included therein amounted to 52%.

None of the directors of the Company or any of their associates or any 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 the two suppliers during the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Chen Vee Li, Felix
Lee Chan Wah
Wong Kok Sun

Non-executive directors:

Chen Si Te, Frank
Wong Kwok Yiu, Chris
Ma Wai Hung, Vincent*

Independent non-executive directors:

Yau Yat Yin
Ma Ching Nam

* *On 13 June 2003, Ma Wai Hung, Vincent changed his directorship from executive director to non-executive director of the Company.*

DIRECTORS (continued)

In accordance with article 87(1) of the Company's articles of association, Chen Vee Li, Felix and Ma Wai Hung, Vincent 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 10 to 12 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

No director had a significant beneficial interest, either directly or indirectly, 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2003, the interests and short positions of the directors and chief executive in the share capital of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
	Directly beneficially owned	Through controlled corporation	Beneficiary of a trust	Total	Percentage of the Company's issued share capital
Name of director					
Ma Wai Hung, Vincent	–	12,000,000@	132,650,000#	144,650,000	23.40
Chen Vee Li, Felix	–	–	104,650,000*	104,650,000	16.93
Chen Si Te, Frank	–	–	104,650,000*	104,650,000	16.93
Wong Kwok Yiu, Chris	4,800,000	–	–	4,800,000	0.78
Name of chief executive					
Alex Chow	50,000,000	–	–	50,000,000	8.09

* 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 and Chen Si Te, Frank.

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

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors and chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the share option scheme disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debenture of the Company granted to any director or their respective spouse or minor children, 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 to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

Due to the adoption of Hong Kong Statement Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 26 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 September 2003, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital	Number of share options held
E-Source	Directly beneficially owned	132,650,000	21.46	–
Dong Ming Jie, Jacqueline*	Through spouse or minor children	104,650,000	16.93	18,000,000
Byron Bay	Directly beneficially owned	104,650,000	16.93	–
Chung Yi Wen, Alan	Directly beneficially owned	39,900,000	6.45	–

* *Dong Ming Jie, Jacqueline is the wife of Chen Vee Li, Felix. The 18,000,000 share options are held by Chen Vee Li, Felix.*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)

Pursuant to a conditional subscription agreement dated 5 September 2003 entered into between the Company and Interoverseas Consultancy Limited ("Interoverseas"). Interoverseas subscribed for a convertible note of HK$5,000,000 issued by the Company for cash and was granted an option whereby upon the conversion of the convertible note, shall have the right to require the Company to allot and issue up to HK$10 million worth of new shares at an option price, subject to certain criteria, of not more than HK$0.40 per share. In addition, as at 30 September 2003, Interoverseas directly and beneficially owned 14,285,714 ordinary shares of the Company, which represented approximately 2.31% of the Company's issued share capital as at the date.

Save as disclosed above, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SPONSOR'S INTEREST

As at 30 September 2003, neither Kingston Corporate Finance Limited (the "Sponsor"), nor its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the Listing Rules) had any interest in the securities of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

Pursuant to a sponsor agreement dated 29 April 2002 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's Sponsor for the period from 14 May 2002 to 30 September 2004.

BOARD PRACTICES AND PROCEDURES

In the opinion of the directors, the Company complied with the requirements of board practices and procedures of Rules 5.28 to 5.39 of the Listing Rules throughout the accounting period covered by the annual report.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Group are set out in note 31 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee (the "Committee") which was established on 24 April 2002 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments on all aspects of Group's financial and operational matters to the Directors. The Committee comprises the two independent non-executive directors, Dr. Yau Yat Yin and Ma Ching Nam and one executive director, Lee Chen Wah, of the Company, and met two times during the year ended 30 September 2003.

For the year ended 30 September 2003, due to the resignation of certain staff within the Group and the relocation of the Group's office in the People's Republic of China (the "PRC"), some documents of the Group had either been misplaced or packed at storage which leads to the postponement of the results announcement for the year ended 30 September 2003 and for the period ended 31 December 2003 and delay in despatch of the annual report 2003 the first quarter report to the shareholders. Such events indicated that the Group has weaknesses in filing and keeping documents.

In view of the above weakness, the Chairman of the Group issued a list of instructions in written form to the staff in the PRC's offices immediately to request them to keep documents properly and systematically. All staff of the Group have to follow the instructions strictly. In order to avoid the recurrence of such events, the Group had proposed several internal procedures (the "Procedures") to strengthen its internal control system. The Procedures are mainly included (i) to issue instructions to keep documents in a proper and strict manner and all original document have to be kept in safe custody by the accounting department. (ii) to keep documents in a safe place with security lock and unauthorized entry is strictly not allowed, (iii) to exercise best and reasonable care and conduct to monitor the change of the Group's personnel and (iv) to inspect documents more frequent by the management.

The Procedures had been discussed in an Audit Committee Meeting held on 15 March 2004. All members of the Audit Committee and a non-executive director, Ma Wai Hung, Vincent attended the meeting. Having reviewed the detailed Procedures in writing, a resolution was passed for the adoption of the Procedures in the meeting and the Committee was of the opinion that the Procedures would strengthen the internal control system of the Group.

The Group's financial statements for the year ended 30 September 2003 have been reviewed by the Committee, who are of the opinion that such statements comply with the Statement 2.101 (Presentation of Financial Statements) of Standard Accounting Practice issued by the Hong Kong Society of Accountants, the relevant rules of Chapter 18 of the GEM Listing Rules and relevant legal requirements, and that adequate disclosures have been made.

AUDITORS

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
19 March 2004

ERNST & YOUNG
安永會計師事務所

To the members
Aptus Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 24 to 63 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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants except that the scope of our work was limited as explained below.

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 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. However, the evidence available to us was limited as follows:

1. Scope limitation – acquisition of a subsidiary

As further detailed in notes 17 and 28(c) to the financial statements, the Group acquired a subsidiary for a cash consideration of HK$7.8 million during the year (the "Acquisition"). The evidence available to us in connection with the Acquisition was limited. Notwithstanding that we understand the acquired subsidiary has been in the pharmaceutical products distribution business for some two years, proper books and records in connection with the subsidiary's activities prior to the Acquisition, including the acquired inventories set out in note 28(c) to the financial statements, were not available for our audit. Accordingly, we were unable to obtain sufficient evidence to audit the accounting for the Acquisition or to determine whether it is in accordance with statement of standard accounting practice 30 "Business Combinations", or otherwise determine how the goodwill arising from the acquisition and the payments of HK$7.8 million should be accounted for in the financial statements, and the completeness of the subsequent sales of its inventories. As a result of this scope limitation, we were not able to perform the procedures we considered necessary to assess the transaction as a whole and, accordingly, the carrying value of the goodwill arising from the Acquisition, notwithstanding the related goodwill has been fully written off during the year, and the subsequent sales of its inventories. Any adjustment to either the goodwill and/or the net assets acquired arising from the Acquisition would have a consequential impact on the Group's net assets as at 30 September 2003 and its turnover and results for the year then ended.

2. Scope limitation – Purchases and corresponding payments, accounts payable, inventories and provision made

During the year ended 30 September 2003, the Group recorded purchases of certain inventories of HK$15,958,000 in aggregate (the "Inventories") in Mainland China. Because of alleged quality defects on the Inventories and the subsequent cancellation of purchase orders by a customer, full provision has been made by the directors against the Inventories. The aforesaid purchases and provision against the Inventories have been included in the Group's cost of sales and, consequently, have been included in determining the Group's net loss for the year ended 30 September 2003. The directors have also advised us that as a result of the resignation of certain senior sales executives and the relocation of the Group's office in Mainland China during the year, certain books and records of the Group in relation to the foregoing purchases and the corresponding payments cannot be located. Due to the lack of adequate supporting documentation in connection with the purchases and their payments, we have not been able to obtain sufficient reliable evidence we consider necessary to satisfy ourselves that such purchases and corresponding payments, the provision made against the Inventories and relevant taxes should be recognised in the Group's profit and loss account, nor have we been able to satisfy ourselves that the balance of the Inventories, the accounts and taxes payable so arising were fairly stated as at 30 September 2003. Any adjustments found to be necessary in relation to these transactions would have a consequential impact on the Group's net assets as at 30 September 2003 and its results for the year then ended, and the related disclosures thereof in these financial statements.

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.

FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 2 to the financial statements, the Group is currently undertaking a number of measures to relieve its current profitability and liquidity problems. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful completion of these measures and the attainment of profitable and positive cash flow operations. The financial statements do not include any adjustments that may be necessary should the implementation of these measures or the attainment of profitable and positive cash flow operations be unsuccessful. We consider that appropriate estimates and disclosures have been made in the financial statements concerning this situation and our opinion is not qualified in this respect.

DISCLAIMER OF OPINION

Because of the significance of each of the possible effects of the scope limitations in evidence available to us, as set out in points (1) and (2) under the basis of opinion section of this report, we are unable to form an opinion as to whether 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 2003 and of the loss and the cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis of opinion section of this report:

(i) we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

(ii) we were unable to determine whether proper books of account had been kept.

Ernst & Young
Certified Public Accountants

Hong Kong
19 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2003

	Notes	2003 HK$'000	2002 HK$'000
TURNOVER	6	**17,154**	20,517
Cost of sales		**(36,990)**	(12,660)
Gross profit/(loss)		**(19,836)**	7,857
Other revenue and gains	6	**189**	170
Selling and distribution costs		**(2,088)**	(1,609)
Administrative expenses		**(12,716)**	(9,581)
Other operating expenses		**(19,342)**	–
LOSS FROM OPERATING ACTIVITIES	7	**(53,793)**	(3,163)
Finance costs	8	**(14)**	–
Share of loss of a jointly-controlled entity		**(14)**	–
LOSS BEFORE TAX		**(53,821)**	(3,163)
Tax	11	**–**	(185)
LOSS BEFORE MINORITY INTERESTS		**(53,821)**	(3,348)
Minority interests		**482**	161
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	**(53,339)**	(3,187)
LOSS PER SHARE	13		
– Basic		**(HK8.63 cent)**	(HK0.59 cent)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

30 September 2003

	Notes	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSETS			
Fixed assets	14	6,386	14,253
Long term deposit	16	3,400	6,800
Interest in a jointly-controlled entity	18	2,731	–
		12,517	21,053
CURRENT ASSETS			
Inventories	19	–	12,309
Accounts receivable	20	4,747	8,087
Prepayments, deposits and other receivables		1,164	4,895
Cash and bank balances	21	6,414	25,182
		12,325	50,473
CURRENT LIABILITIES			
Accounts payable	22	88	6
Accrued liabilities and other payables		5,845	3,404
Tax payable		523	523
Convertible notes	23	7,535	–
Finance lease payables	24	79	–
Bank overdraft, unsecured		–	3,000
		14,070	6,933
NET CURRENT ASSETS/(LIABILITIES)		(1,745)	43,540
TOTAL ASSETS LESS CURRENT LIABILITIES		10,772	64,593
MINORITY INTERESTS		–	482
		10,772	64,111
CAPITAL AND RESERVES			
Issued capital	25	6,183	6,183
Reserves	27(a)	4,589	57,928
		10,772	64,111

CHEN VEE LI, FELIX
Director

WONG KOK SUN
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 September 2003

	Notes	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 (note 27(a))	Accu-mulated losses HK$'000	Total HK$'000
Balance at 1 October 2001		100	–	17,240	(1,085)	16,255
Issue of shares prior to the public listing	*25(vii)*	422	8,378	–	–	8,800
New issue on public listing	*25(ix)*	778	38,102	–	–	38,880
Capitalisation of share premium account	*25(viii)*	4,700	(4,700)	–	–	–
Issue of shares upon exercise of over-allotment option	*25(x)*	183	8,947	–	–	9,130
Share issue expenses		–	(5,767)	–	–	(5,767)
Net loss for the year		–	–	–	(3,187)	(3,187)
At 30 September 2002 and 1 October 2002		6,183	44,960	17,240	(4,272)	64,111
Net loss for the year		–	–	–	(53,339)	(53,339)
At 30 September 2003		6,183	44,960*	17,240*	(57,611)*	10,772
Reserves retained by:						
Company and subsidiaries		6,183	44,960	17,240	(57,597)	10,786
A jointly-controlled entity		–	–	–	(14)	(14)
30 September 2003		**6,183**	**44,960**	**17,240**	**(57,611)**	**10,772**
Company and subsidiaries		6,183	44,960	17,240	(4,272)	64,111
A jointly-controlled entity		–	–	–	–	–
30 September 2002		6,183	44,960	17,240	(4,272)	64,111

* These reserve accounts comprise the consolidated reserves of HK$4,589,000 (2002: HK$57,928,000) in the consolidated balance sheet.

Year ended 30 September 2003

	Notes	2003 HK$'000	2002 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(53,821)**	(3,163)
Adjustments for:			
Interest income	6	**(8)**	(34)
Finance costs	8	**14**	–
Share of losses of a jointly-controlled entity		**14**	–
Depreciation	7	**3,966**	2,409
Loss on disposal of fixed assets	7	**7**	–
Goodwill amortisation and impairment	7	**5,789**	–
Impairment of fixed assets	7	**4,152**	–
Provision for doubtful debts	7	**5,994**	–
Provision for a long term deposit	7	**3,400**	–
Provision against inventories	7	**15,958**	–
Operating loss before working capital changes		**(14,535)**	(788)
Increase in amount due from a jointly-controlled entity		**(15)**	–
Increase in inventories		**(1,638)**	(12,309)
Increase in accounts receivable		**(2,654)**	(2,241)
Decrease/(increase) in prepayments, deposits and other receivables		**3,731**	(4,629)
Increase/(decrease) in accounts payable		**82**	(105)
Increase in accrued liabilities and other payables		**2,441**	1,726
Cash used in operations		**(12,588)**	(18,346)
Interest received		**8**	34
Interest paid		**(2)**	–
Interest element on finance lease rental payments		**(12)**	–
Net cash outflow from operating activities		**(12,594)**	(18,312)
CASH FLOWS FROM INVESTING ACTIVITES			
Advances to directors		**–**	5,466
Purchases of fixed assets		**(212)**	(9,410)
Proceeds from disposal of fixed assets		**118**	–
Long term deposit paid		**–**	(6,800)
Acquisition of a jointly-controlled entity	18	**(195)**	–
Acquisition of a subsidiary	28(c)	**(7,800)**	–
Net cash outflow from investing activities		**(8,089)**	(10,744)

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 September 2003

	2003 HK$'000	2002 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares prior to the 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
Proceed from issue of a convertible note	5,000	–
Capital element of finance lease rental payments	(85)	–
Net cash inflow from financing activities	4,915	51,043
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(15,768)	21,987
Cash and cash equivalents at beginning of year	22,182	195
CASH AND CASH EQUIVALENTS AT END OF YEAR	6,414	22,182
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	6,414	25,182
Bank overdraft, unsecured	–	(3,000)
	6,414	22,182

BALANCE SHEET

30 September 2003

	Notes	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	17	–	15,926
CURRENT ASSETS			
Prepayments		–	105
Due from subsidiaries	17	10,997	30,707
Cash and bank balances		5,544	19,210
		16,541	50,022
CURRENT LIABILITIES			
Accrued liabilities and other payables		2,900	1,149
Convertible notes	23	7,535	–
		10,435	1,149
NET CURRENT ASSETS		6,106	48,873
		6,106	64,799
CAPITAL AND RESERVES			
Issued capital	25	6,183	6,183
Reserves	27(b)	(77)	58,616
		6,106	64,799

CHEN VEE LI, FELIX
Director

WONG KOK SUN
Director

1. 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.

The registered office of the Company is located at Century Yard Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

2. BASIS OF PRESENTATION

As at 30 September 2003, the Group had net current liabilities of approximately HK$1,745,000. The Group also recorded a net loss attributable to the shareholders of approximately HK$53,339,000 and reported a net decrease in cash and cash equivalents of HK$15,768,000 for the year ended 30 September 2003.

In order to improve the Group's financial position, immediate liquidity, cash flows and otherwise to sustains the Group as a going concern, the directors of the Company have adopted the following measures:

(a) Subsequent to the balance sheet date, the Group has obtained written consent from the holder of the Company's convertible note of HK$5,000,000 (note 23(ii)) to reschedule and extend the repayment period of the convertible note for further one year upon their original maturity on 30 September 2004.

(b) Pursuant to a loan agreement dated 30 December 2003 and a supplementary agreement entered into between the Company and an independent third party, the Company has been granted a term loan of RM$2,476,500 (equivalent to approximately HK$5,060,000). The term loan is unsecured, bears interest at 6% per annum, was drawn down subsequent to the year end and is repayable on 30 June 2005.

(c) The directors of the Company are considering varies alternatives to strengthen the capital base of the Company through various fund raising exercises, including, but not limited to, a private placement and a rights issue of new shares.

(d) The directors of the Company have been taking action to tighten cost controls over various general and administrative expenses.

In the opinion of the directors of the Company, in light of the measures taken to date and the expected outcome of other measures in progress as planned, the directors are satisfied that the Group will be able to meet its financial obligation as and when they fall due in the foreseeable future and be able to operate as a commercially viable concern. Accordingly, these financial statements have been prepared on a going concern basis.

The financial statements have not incorporated any adjustments that may be required if the above measures are not successful. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of any such adjustments has not been reflected in the financial statements.

3. IMPACT 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 year's financial statements and have had a significant impact thereon:

- 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 are summarised as follows:

SSAP 1 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 of this SSAP is that a consolidated statement of changes in equity is now presented on page 26 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 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 and a jointly-controlled entity 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 as at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 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 as 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. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 4 and in note 28(a) to the financial statements.

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 material change to the previously adopted accounting treatments for employee benefits. In addition, disclosures are now required in respect of the Company's share option schemes, as detailed in note 26 to the financial statements. These share option schemes disclosures are similar to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the adoption of this SSAP.

4. 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 consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group reorganisation (the "Group Reorganisation"), completed 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 of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). On this basis, the Company has been treated as the holding company of its subsidiaries for the financial year presented rather than from the date of their acquisition. Accordingly, the consolidated results of the Group for the year ended 30 September 2002 include the results of the Company and its subsidiaries with effect from 1 October 2001 or since their respective dates of incorporation/establishment, where this is a shorter period.

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

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposed, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

4. 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) a subsidiary, if the Company has unilateral control, directly or indirectly, over the joint venture company;

(b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control, directly or indirectly, over the joint venture company;

(c) an associate, if the Company does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture company's registered/paid-up capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds, directly or indirectly, less than 20% of the joint venture company's registered/paid-up capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of jointly-controlled entities is included as part of the Group's interests in jointly-controlled entities.

The results of jointly-controlled entities are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in jointly-controlled entities are treated as long term assets and are stated at cost less any impairment losses.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

Goodwill arising on the acquisition of subsidiaries and a jointly-controlled entity represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of five years. In the case of a jointly-controlled entity, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries or a jointly-controlled entity, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 for this purpose 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.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 lessor, rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the leases terms. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling as at the transaction dates. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and a jointly-controlled entity are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and a jointly-controlled entity are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling as at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling as at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 3 to the financial statements, the profit and loss accounts of overseas subsidiaries and a jointly-controlled entity and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling as at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements. The adoption of the revised SSAP 15 has had no material effect on the amounts of the previously reported cash flows of the prior year.

Employee benefits

Retirement benefit schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. 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.

Staff in the Group’s subsidiaries established in Mainland China are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage 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 these subsidiaries. The only obligation of these 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of 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. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

5. SEGMENT INFORMATION

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 the 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.

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 Mainland China and accordingly, no detailed analysis of the Group's geographical segments is presented.

There were no intersegment sales and transfers among the business segments during the year.

5. SEGMENT INFORMATION (continued)

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	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**1,503**	12,409	**15,651**	8,108	**17,154**	20,517
Segment results	**(7,750)**	4,602	**(36,060)**	(484)	**(43,810)**	4,118
Unallocated income					**189**	170
Unallocated expenses					**(10,172)**	(7,451)
					(53,793)	(3,163)
Finance costs					**(14)**	–
Share of loss of a jointly-controlled entity					**(14)**	–
Loss before tax					**(53,821)**	(3,163)
Tax					–	(185)
Loss before minority interests					**(53,821)**	(3,348)
Minority interests					**482**	161
Net loss from ordinary activities attributable to shareholders					**(53,339)**	(3,187)

5. SEGMENT INFORMATION (continued)

Business segments (continued)

Group

	Services provision		Trading		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**6,297**	15,765	**7,834**	26,946	**14,131**	42,711
Interests in a jointly-controlled entity	**–**	–	**2,731**	–	**2,731**	–
Unallocated assets					**7,980**	28,815
Total assets					**24,842**	71,526
Segment liabilities	**1,690**	2,048	**973**	193	**2,663**	2,241
Unallocated liabilities					**11,407**	4,692
Total liabilities					**14,070**	6,933
Other segment information:						
Depreciation and amortisation	**1,957**	1,628	**2,058**	–	**4,015**	1,628
Unallocated amounts					**1,109**	781
					5,124	2,409
Impairment losses recognised in the profit and loss account	**–**	–	**8,231**	–	**8,231**	–
Unallocated amounts					**552**	–
					8,783	–
Capital expenditure	**–**	2,886	**10,530**	4,500	**10,530**	7,386
Unallocated amounts					**376**	2,024
					10,906	9,410
Other non-cash expenses	**–**	–	**25,352**	–	**25,352**	–

The other non-cash expenses includes HK$7,552,000 relating to provision for a long term deposit and impairment of fixed assets.

6. TURNOVER, OTHER REVENUE AND GAINS

Turnover represents the invoiced value of goods sold, after allowances for returns and trade discounts, and business tax; and the value of services rendered during the year.

An analysis of turnover, other revenue and gains is as follows:

	2003 *HK$'000*	2002 *HK$'000*
Turnover		
Sale of goods	**15,651**	8,108
Rendering of services	**1,503**	12,409
	17,154	20,517
Other revenue		
Interest income	**8**	34
Rental income	**140**	–
Other	**43**	51
	191	85
Gains		
Exchange gains/(losses), net	**(2)**	85
	189	170

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	Notes	2003 HK$'000	2002 HK$'000
Cost of inventories sold		30,277	8,027
Cost of services provided		6,713	4,633
Auditors' remuneration		1,950	634
Depreciation	14	3,966	2,409
Goodwill:	15		
Amortisation for the year*		1,158	–
Impairment arising during the year*		4,631	–
Impairment of fixed assets	14	4,152	–
Provision for doubtful debts		5,994	–
Provision for a long term deposit		3,400	–
Provision for inventories		15,958	–
Loss on disposal of fixed assets		7	–
Staff costs (excluding directors' remuneration – *note 9*):			
Wages and salaries		2,755	3,333
Housing benefits		138	–
Retirement benefits scheme contributions		32	153
		2,925	3,486
Minimum lease payments under operating leases:			
Land and buildings		1,388	1,021
Equipment		106	70

The cost of inventories sold includes provision for inventories of HK$15,958,000 (2002: Nil).

The cost of services provided includes HK$2,437,000 (2002: HK$3,664,000) 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.

The impairment of fixed assets and provision for a long term deposit are included in other operating expenses.

* The amortisation and impairment of goodwill for the year are included in "Other operating expenses" on the face of the consolidated profit and loss account.

8. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	*HK$'000*
Interest on bank overdrafts	**2**	–
Interest on finance lease	**12**	–
	14	–

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Non-executive directors	**31**	120
Independent non-executive directors	**30**	120
	61	240
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	**1,607**	2,004
Retirement benefits scheme contributions	**28**	32
	1,635	2,036
	1,696	2,276

The executive directors and non-executive directors received individual emoluments of approximately HK$318,000 (2002: HK$621,000), HK$110,000 (2002: HK$655,000), HK$710,000 (2002: HK$325,000), HK$528,000 (2002: HK$435,000), and nil (2002: HK$60,000) and nil (2002: HK$60,000).

The independent non-executive directors received individual emoluments of approximately HK$30,000 (2002: HK$60,000) and nil (2002: HK$60,000), respectively.

9. DIRECTORS' REMUNERATION (continued)

During the year ended 30 September 2003, the Group received written consent from certain directors of the Company to waive remuneration of a total of HK$655,000 (2002: HK$354,000) payable to the directors. The remuneration waived for the current and prior years had been incorporated in the fees and other emoluments to directors as disclosed above. Save as the aforesaid, there was no arrangement under which a director waived or agreed to waive any remuneration during the current and prior years.

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2002: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2002: three) non-director, highest paid employees for the year are as follows:

	Group	
	2003	2002
	HK$'000	*HK$'000*
Basic salaries, housing benefits, other allowances and benefits in kind	**1,235**	1,542
Retirement benefits scheme contributions	**20**	17
	1,255	1,559

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

During the year, no emoluments were paid by the Group to the non-director, highest paid employees as an inducement to joint or upon joining the Group, or as compensation for loss of office (2002: Nil).

11. TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong during the year (2002: 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.

	2003	2002
	HK$'000	*HK$'000*
Group:		
Hong Kong	**–**	–
Overseas	**–**	185
	–	185
Share of tax attributable to a jointly-controlled entity	**–**	–
Tax charge for the year	**–**	185

The principal components of the Company's and the Group's deferred tax liabilities/(assets) provided for/and not provided for in the financial statements at the balance sheet date were as follows:

	Group			
	Provided		**Not provided**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accelerated depreciation allowances	**–**	–	**824**	–
Tax losses carried forward	**–**	–	**(1,488)**	–
At 30 September	**–**	–	**(664)**	–

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 30 September 2003 dealt with in the financial statements of the Company, was HK$58,693,000 (period from 26 November 2001 (date of incorporation) to 30 September 2002: HK$2,170,000) (note 27(b)).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$53,339,000 (2002: HK$3,187,000), and the weighted average number of 618,260,000 (2002: 542,304,000) ordinary shares of the Company in issue during the year.

No diluted loss per share amount is shown for the years ended 30 September 2002 and 2003 as the effects of the share options granted on 24 April 2002 and 11 July 2002 and the convertible notes issued on 29 August 2003 and 30 September 2003, as further detailed in notes 26 and 23 to the financial statements, by the Company were either anti-dilutive or had no dilutive effect on the basic loss per share for the years ended 30 September 2002 and 2003.

14. FIXED ASSETS

Group	**Leasehold improvements**	**Furniture and fixtures**	**Computer equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost:					
At beginning of year	2,022	1,385	15,215	147	18,769
Additions	97	36	243	–	376
Disposals	–	–	–	(147)	(147)
At 30 September 2003	**2,119**	**1,421**	**15,458**	**–**	**18,998**
Accumulated depreciation and impairment:					
At beginning of year	984	355	3,170	7	4,516
Provided during the year	583	283	3,085	15	3,966
Disposals	–	–	–	(22)	(22)
Impairment during the year recognised in the profit and loss account	552	–	3,600	–	4,152
At 30 September 2003	**2,119**	**638**	**9,855**	**–**	**12,612**
Net book value:					
At 30 September 2003	**–**	**783**	**5,603**	**–**	**6,386**
At 30 September 2002	1,038	1,030	12,045	140	14,253

14. FIXED ASSETS (continued)

In the opinion of the directors, certain computer equipment are impaired as the Group had no business plan to utilise these assets and an impairment provision of HK$4,152,000 was made during the year. With respect to other fixed assets, the directors have performed an assessment as at 30 September 2003. Based on a valuation report issued by BMI Appraisals Limited ("BMI"), an independent firm of professional valuers, the director considered that the recoverable amounts exceeds the carrying value of the other assets and therefore no indication of impairment was noted for all other fixed assets.

The net book value of the Group's fixed assets held under finance leases included in the total amount of computer equipment at 30 September 2003, amounted to HK$131,000 (2002: Nil).

15. GOODWILL

The amounts of the goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of a subsidiary, are as follows:

Group

	HK$'000
Cost:	
Acquisition of a subsidiary (note 28(c)) and at 30 September 2003	5,789
Accumulated amortisation and impairment:	
Amortisation provided during the year	1,158
Impairment provided during the year	4,631
At 30 September 2003	5,789
Net book value:	
At 30 September 2003	–

The Group has recognised an impairment on the unamortised goodwill arising from the acquisition of Lucky Mountain Group Limited ("LMGL"), during the year, which was engaged in the distribution of pharmaceutical products in Mainland China. In the opinion of the directors, such impairment loss arose from the prevailing competitive market conditions in Mainland China and the Group's financial difficulties. In light of such circumstances, it is unlikely that the Group will further develop the business of LMGL.

16. LONG TERM DEPOSIT

	Group	
	2003	2002
	HK$'000	*HK$'000*
Long-term deposit	**6,800**	6,800
Provision for impairment	**(3,400)**	–
	3,400	6,800

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 Mainland China. The consideration had been fully paid in the prior year. During the current year, the Group submitted the application for registration with the State Drug Administration Bureau (the "SDAB") in Mainland China in relation to the distribution of the Products in Mainland China. The directors, based on the opinion from a Mainland China lawyer, do not expect the Group to encounter any problems in obtaining the relevant approvals from the SDAB.

Pursuant to the sale and purchase agreement (the "Agreement") in respect of the Acquisition, in the event that the registration of any of the Products with the SDAB being 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 (the "Refund") from the vendor of HK$1.36 million for each of the Products being rejected. A business associate of the vendor, an independent third party to the Group who is also the director and major shareholder of a listed company on the Stock Exchange, executed a guarantee for the Refund in favour of the Group. Since the registration process of the Products has not yet been completed as at 30 September 2003, and the Consideration can be refunded from the vendor should the registration with SDAB of any of the Products be rejected. The Consideration was classified as a long term deposit as at 30 September 2003.

According to a valuation report issued by BMI, taking into account expected future sales of the Products, the valuation of the Distribution Right amounted to approximately HK$3.4 million as at 30 September 2003. The directors considered that there is an indication of impairment for this project as a result of the expected reduction in development scale of the Products in view of the tight liquidity of the Group. Accordingly, the Group has recognised an impairment of HK$3,400,000 for this long term deposit as at 30 September 2003.

17. INTERESTS IN SUBSIDIARIES

	2003 HK$'000	2002 HK$'000
Unlisted shares, at cost	15,926	15,926
Due from subsidiaries	47,483	30,707
Provision for impairment	(52,412)	–
	10,997	46,633

The amounts due from subsidiaries included in the Company's current assets 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 ("AGL")	British Virgin Islands	US$10,000 Ordinary	100	Investment holding
Indirectly held				
Albatross Overseas Limited	British Virgin Islands/ Mainland China	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

17. INTERESTS IN SUBSIDIARIES (continued)

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
Peaceford International Limited	British Virgin Islands/ Mainland China	US$1,000 ordinary	100	Investment holding, provision of product consulting and sales force management services and marketing and distribution of pharmaceutical products
LMGL	British Virgin Islands/ Mainland China	US$1,000 ordinary	100	Marketing and distribution of pharmaceutical products
上海問博信息技術有限公司 (formerly 北京問博網信息技術有限公司) ("SHAL") *Note (i)*	Mainland China	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)*	Mainland China	US$150,000	80	Provision of product consulting services

Notes:

(i) SHAL is an equity joint venture company established by Aptus Medical Group Limited (''AMGL'') and a partner in Mainland China 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 Mainland China for a period of 15 years commencing from the date of issuance of its business licence on 13 June 2000.

SHAL and BWML have been accounted for as subsidiaries of the Group as the Group has unilateral control over the financial and operating policies of SHAL and BWML.

During the year, the Group acquired LMGL from an independent third party. Further details of this acquisition are included in note 28(c) to the financial statements.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	Group 2003 HK$'000	Group 2002 HK$'000
Share of net liabilities	**(14)**	–
Goodwill on acquisition	**2,730**	–
	2,716	–
Amount due from a jointly-controlled entity	**15**	–
	2,731	–

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed term of repayment.

Particulars of the jointly-controlled entity is as follows:

Name	Business structure	Place of incorporation and operations	Percentage of Ownership interest	Percentage of Profit sharing	Principal activity
Toowong International Laboratories Limited ("Toowong")	Corporate	British Virgin Islands/ Hong Kong	50.1	50.1	Distribution of pharmaceutical products

The above investments in a jointly-controlled entity is indirectly held by the Company.

Pursuant to a sale and purchase agreement dated 28 July 2003 entered into between the Group and Westport International Group Co., Ltd. ("Westport"), an independent third party, the Group acquired 50.1% of the issued share capital of Toowong (the "Toowong Acquisition") from Westport. The consideration include: (i) US$25,000 (equivalent to approximately HK$195,000) paid in cash on 29 August 2003; (ii) US$325,000 satisfied by the issue of a convertible note (equivalent to approximately HK$2,535,000) by the Company on 29 August 2003 (note 23(i)); and (iii) the issue, at maximum, of 19,933,333 new shares (the "Consideration Shares") of the Company of HK$0.01 each credited as fully paid. The market value of the Consideration Shares, issued at maximum number, amounted to approximately HK$2.7 million as at the date of approval of these financial statements. The amount of the Consideration Shares to be issued is determined, subject to adjustment, on the basis of sales derived by Toowong during a period of one year subsequent to the Toowong Acquisition. Up to the date of this financial statements, no Consideration Shares have been issued by the Company. Because the directors of the Company were unable to estimate reliably the future sales to be derived by Toowong and were therefore unable to accurately determine the Consideration Shares to be issued at the date of approval of these financial statements, the additional consideration to be settled by the Consideration Shares has not been accounted for at balance sheet date.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

Pursuant to a shareholder agreement entered into between the Group and Westport on 29 August 2003, Toowong is subject to the joint control of the Group and Westport and accordingly is accounted for as a jointly-control entity. The goodwill arising from the acquisition of Toowong by the Group amounted to HK$2,730,000 and no amortisation has been charged during the year as the completion of the acquisition was close to the balance sheet date and the impact to the financial statements was not material. Further details of the Toowong Acquisition are set out in the Company's circular dated 19 August 2003.

19. INVENTORIES

	Group	
	2003	2002
	HK$'000	*HK$'000*
Finished goods	**–**	12,309

As at 30 September 2003, no inventories were stated at net realisable value (2002: Nil).

20. ACCOUNTS RECEIVABLE

Accounts receivable, 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	
	2003	2002
	HK$'000	*HK$'000*
Within 90 days	**240**	8,047
91–180 days	**73**	40
Over 180 days	**4,434**	–
	4,747	8,087

Subsequent to the balance sheet date, accounts receivable amounting to HK$4,747,000 as at 30 September 2003 have been settled by the Group's customers.

21. CASH AND BANK BALANCES

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$323,000 (2002: HK$2,083,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. ACCOUNTS PAYABLE

As at 30 September 2003, the Group's accounts payable were aged within 90 days, based on the date of goods and services received.

23. CONVERTIBLE NOTES

The Company has issued the following convertible notes:

		Group	
		2003	2002
	Notes	***HK$'000***	*HK$'000*
Westport Convertible Note	*(i)*	**2,535**	–
Interoverseas Convertible Note	*(ii)*	**5,000**	–
		7,535	–

Notes:

(i) As set out in note 18, the Company issued a convertible note of US$325,000 (equivalent to approximately HK$2,535,000) to Westport (the "Westport Convertible Note") in respect of the Toowong Acquisition. The Westport Convertible Note has been issued at 100% of its principal amount, bears interest at a rate of 3% per annum and is payable on 28 July 2004. The convertible note is convertible into ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.35 per share, subject to adjustment, at any time before 28 July 2004.

(ii) On 5 September 2003, the Company entered into a subscription agreement with Interoverseas Consultancy Limited ("Interoverseas"), an independent third party. Pursuant to the subscription agreement, the Company issued a convertible note (the "Interoverseas Convertible Note") in the principal amount of HK$5,000,000 to Interoverseas. The Interoverseas Convertible Note has been issued at 100% of its principal amount, bears interest at a rate of 3% per annum and is payable on 30 September 2004. The Interoverseas Convertible Note is convertible into ordinary shares of the Company of HK$0.01 each at a conversion price of HK$0.35 per share, subject to adjustment, at any time before 30 September 2004. In accordance with the conditional subscription agreement, Interoverseas was granted an option, whereby upon conversion of the Interoverseas Convertible Note, to require the Company to allot and issue up to HK$10 million worth of new shares of the Company. Further details are set out in note 26(c).

On 14 March 2004, the Group obtained written consent from Interoverseas to reschedule and extend the repayment term of the Interoverseas Convertible Note for a further one year upon their original maturity on 30 September 2004.

24. FINANCE LEASE PAYABLES

The Group leased certain of its computer equipment during the year. These leases are classified as finance leases and have remaining lease terms of less than one year.

At 30 September 2003, the total future minimum lease payments under finance leases and their present values were as follows:

Group	Minimum lease payments		Present value of minimum lease payments	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amounts payable:				
Within one year	**83**	–	**79**	–
Total minimum finance lease payments	**83**	–	**79**	–
Future finance charges	**(4)**	–		
Total net finance lease payables classified as current liabilities	**79**	–		

25. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	*HK$'000*
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**	200,000
Issued and fully paid:		
618,260,000 ordinary shares of HK$0.01 each	**6,183**	6,183

25. 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 2003:

(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 to the then shareholder.

(iii) On the same day, one share was allotted and issued nil paid to the then shareholder.

(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, the Company issued an aggregate of 10,000,000 shares of HK$0.01 each, credited as fully paid to the former shareholders of Aptus Group Limited ("AGL"), the then holding company of the subsidiaries listed in note 17 to the financial statements, 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 assets 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 27(b) 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 two 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 certain investors (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$0.5 per share upon the exercise of the over-allotment option.

25. SHARE CAPITAL (continued)

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

	Notes	Number of authorised shares ('000)	Number of issued shares ('000)	Nominal value of shares issued HK$'000
Shares allotted and issued nil paid on incorporation	*(i)*	38,000	–	–
Increase in authorised share capital	*(iv)*	19,962,000	–	–
Shares issued as consideration for acquisition of the entire issued share capital of AGL	*(v)*	–	10,000	100
Application of capital reserve to pay up nil paid shares issued on incorporation	*(vi)*	–	–	–
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	*(viii)*	–	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	*(vii)*	–	42,240	422
New issue on public listing	*(ix)*	–	77,760	778
Capitalisation of the share premium account	*(viii)*	–	–	4,700
Issue of additional shares on the exercise of over-allotment option	*(x)*	–	18,260	183
Balance at 30 September 2002 and 2003		20,000,000	618,260	6,183

26. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 3 and under the heading "Employee benefits" in note 4 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the report of the directors, as their disclosure is also a requirement of the Listing Rules.

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 them and give an incentives 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 granted 47,500,000 share options, which entitled the holders to subscribe for a total of 47,500,000 ordinary shares of the Company during the period from 14 May 2003 to 13 May 2006. The subscription price per share payable upon exercise of the option, ranged from HK$0.10 to HK$0.50 each. During the year ended 30 September 2003 and up to the date of approval of these financial statements, no share option has been granted or exercised under the Pre-IPO Scheme.

The following share options under the Pre-IPO Scheme were outstanding during the year and at the balance sheet date:

Name or category of participants	Number of share options under the Pre-IPO Scheme during the year and at 30 September 2003	Date of grant of share options under the Pre-IPO Scheme*	Exercise period of share options under the Pre-IPO Scheme	Exercise price of share options under the Pre-IPO Scheme *HK$*
Directors and chief executive				
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
Alex Chow	9,000,000	24 April 2002	14 May 2003 to 13 May 2006	0.10
	47,000,000			
Other employees				
In aggregate	500,000	24 April 2002	14 May 2003 to 13 May 2006	0.10
Total	**47,500,000**			

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

26. SHARE OPTION SCHEMES (continued)

(a) Pre-IPO share option scheme (continued)

The exercise in full of the share options under the Pre-IPO Scheme would, under the present capital structure of the Company, result in the issue of 47,500,000 additional ordinary shares of the Company at additional share capital of HK$475,000 and share premium of HK$18,675,000 (before issue expenses).

(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 options 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 the 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; and (iii) the nominal value of the Company's shares on the date of offer.

In the prior year, 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. During the year ended 30 September 2003 and up to the date of approval of these financial statements, no Post-IPO Scheme Options have been granted or exercised.

26. SHARE OPTION SCHEMES (continued)

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

The following Post-IPO Scheme Options were outstanding during the year and at the balance sheet date:

Name or category of participants	Number of Post-IPO Scheme Options during the year and at 30 September 2003	Date of grant of Post-IPO Scheme Options	Exercise period of Post-IPO Scheme Options	Exercises price of Post-IPO Scheme Options*	The Company's share price at date of grant of Post-IPO Scheme Options**
				HK$	*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 the grant of the Post-IPO Scheme Options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the Post-IPO Scheme Options.

The exercise in full of the Post-IPO Scheme Options would, under the present capital structure of the Company, result in the issue of 8,450,000 additional ordinary shares of the Company at additional share capital of HK$84,500 and share premium of HK$5,087,000 (before issue expenses).

26. SHARE OPTION SCHEMES (continued)

(c) Other share option scheme

As set out in note 23(ii), an option was granted to Interoverseas by the Company that, conditional upon conversion of the Interoverseas Convertible Note in full by Interoverseas, Interoverseas shall have the right to require the Company to allot and issue up to HK$10 million worth of additional new shares of the Company at a price of the lower of (i) HK$0.40 per share; (ii) the lowest price per share upon which the shares have been allotted and issued during the term of the Interoverseas Convertible Note (excluding allotments and issues under the Interoverseas Convertible Note); and (iii) the 10 day's trading average price of the shares of the Company on the Stock Exchange immediately prior to the exercise of the option.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

27. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 26 of the financial statements.

The capital reserve of the Group arose as a result of the Group Reorganisation as set out in note 4 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) Company

	Share premium account HK$'000	Capital reserve * HK$'000	Accumulated losses HK$'000	Total HK$'000
At 26 November 2001 (date of incorporation)	–	–	–	–
Arising on Group Reorganisation *(note 25(v))*	–	15,826	–	15,826
Issue of shares prior to the public listing	8,378	–	–	8,378
Issue of shares to the public	38,102	–	–	38,102
Capitalisation of share premium account	(4,700)	–	–	(4,700)
Issue of share upon exercise of over-allotment option	8,947	–	–	8,947
Share issue expenses	(5,767)	–	–	(5,767)
Net loss for the period	–	–	(2,170)	(2,170)
At 30 September 2002 and 1 October 2002	44,960	15,826	(2,170)	58,616
Net loss for the year	–	–	(58,693)	(58,693)
At 30 September 2003	**44,960**	**15,826**	**(60,863)**	**(77)**

* 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.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Change of presentation

SSAP 15 (Revised) was adopted during the current year, as detailed in note 3 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance, and from taxes paid. The significant reclassifications resulting from the change in presentation are that interest received is now included in cash flows from operating activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

(b) Major non-cash transactions

(i) During the year, the Group entered into a finance lease arrangement in respect of fixed assets with a total capital value at the inception of the leases of HK$164,000 (2002: Nil).

(ii) As set out in notes 18 and 23 (i), the Group issued a convertible note amounting to HK$2,535,000 in respect of the acquisition of Toowong during the year, which did not result in any cash flow.

(c) Acquisition of a subsidiary

	Notes	2003 *HK$'000*	2002 *HK$'000*
Net assets acquired:			
Inventories		2,011	–
Shareholder's loan		(1,899)	–
		112	–
Shareholder's loan waived		1,899	–
Goodwill on acquisition	*15*	5,789	–
		7,800	–
Satisfied by cash		7,800	–

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of a subsidiary (continued)

An analysis of the outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2003 *HK$'000*	2002 *HK$'000*
Cash consideration and outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	7,800	–

On 16 October 2002, the Group acquired a 100% interest in LMGL from an independent third party. LMGL is engaged in the distribution of pharmaceutical products in Mainland China. The purchase consideration for the acquisition was in the form of cash, with the full amount being paid on 16 October 2002. Further details of the acquisition are set out in the Company's circular dated 5 November 2002.

Since its acquisition, LMGL contributed HK$2,011,000 to the Group's turnover and HK$2,011,000 to the consolidated loss after tax and before minority interests for the year ended 30 September 2003.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group sub-leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from one to two years.

As 30 September 2003, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due within one year of HK$282,000 (2002: Nil).

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements with lease terms ranging from one to two years.

At 30 September 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003 *HK$'000*	2002 *HK$'000*
Land and buildings expiring:		
Within one year	1,249	1,378
In the second to fifth years, inclusive	–	875
	1,249	2,253
Equipment expiring within one year	12	40

30. CONTINGENT LIABILITIES

(a) The Group has a contingent payable in respect of the consideration for the Acquisition to be satisfied by the issue of the Consideration Shares to Westport as further detailed in note 18 to the financial statements.

(b) As at the balance sheet date, the Company has given a guarantee to an independent third party in respect of a finance lease arrangement of a subsidiary of the Group. The related contingent liability of HK$78,000 has not been provided for in the Company's financial statements.

Save as the foregoing, neither the Group, nor the Company had any significant contingent liabilities as at 30 September 2003.

31. POST BALANCE SHEET EVENTS

(a) Pursuant to a loan agreement dated 30 December 2003 and a supplementary agreements entered into between the Company and an independent third party, the Company has been granted a term loan of RM$2,476,500 (equivalent to approximately HK$5,060,000). The term loan is unsecured, bears interest at 6% per annum and is repayable on 30 June 2005 (note 2).

(b) On 14 March 2004, the Company has obtained written consent from Interoverseas to reschedule and extend the repayment term of the Interoverseas Convertible Note for further one year upon the original maturity on 30 September 2004 (note 23 (ii)).

32. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items in the financial statements has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

33. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 March 2004.

NOTICE IS HEREBY GIVEN that the annual general meeting of Aptus Holdings Limited (the "**Company**") will be held at 10:00 a.m. on 15 April 2004 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 2003;

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 4 to 6 as ordinary resolutions and resolution 7 as a special resolution (the "Resolution(s)"):

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

(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

(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."

7. **"THAT** the Articles of Association of the Company be amended as follows:

(a) By deleting the words "Section 2 of the Securities and Futures (Clearing Houses) Ordinance of Hong Kong" in the definition of "clearing house" in Article 2(1) and substituting therefore the following:

"Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)";

(b) By deleting the existing definition of "Subsidiary and Holding Company" in Article 2(1) and substituting therefor the following:

""Subsidiary and Holding Company" the meanings attributed to them under the rules, where applicable, of the Designated Stock Exchange.";

(c) By adding the following as the new Article 66A immediately after Article 66:

"66A. Where any Member is, under the rules, where applicable, of the Designated Stock Exchange (as amended from time to time), required to abstain from voting on any particular Ordinary resolution or Special resolution, or restricted to voting only for or only against any particular Ordinary resolution or Special resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.";

(d) By deleting the words "more than fourteen (14) clear days before the date of the general meeting" in Article 88 and substituting therefor the following:

"earlier than the day after the despatch of the Notice of such general meeting";

(e) By adding the words "or any of his associate(s)" immediately after the words "in which he" in the first paragraph of Article 103(1);

(f) By adding the following in Article 103(1)(i):

(i) the words "or his associate(s)" immediately after the words "such Director"; and

(ii) the words "or any of them" immediately after the words "money lent by him" and "undertaken by him", respectively;

(g) By adding the following in Article 103(1)(ii):

(i) the words "or his associate(s)" immediately after the words "the Director"; and

(ii) the words "or themselves" immediately after the words "has himself";

(h) By adding the following in Article 103(1)(iii):

(i) the words "or his associate(s)" immediately after the words "the Director";

(ii) the words "or are" immediately after each of the word "is", respectively; and

(iii) the punctuation "," after the words "to be";

(i) By adding the following in Article 103(1)(iv):

(i) the words "or his associate(s)" immediately after the words "in which he";

(ii) the words "or are" immediately after the word "is"; and

(iii) the words "or their" immediately after the words "of his";

(j) By adding the following in Article 103(1)(v):

(i) the words "or his associate(s)" immediately after the words "in which he"; and

(ii) the words "or are" immediately before the words "interested only" and "beneficially interested in", respectively; and

(iii) the words "or that of any of his associates" after the words "which his interest";

(k) By deleting the words "(as defined by the rules, where applicable, of the Designated Stock Exchange)" in Article 103(1)(v);

(l) By adding the words "or his associate(s)" immediately after the words "to directors" and "any Director", respectively, in Article 103(1)(vi); and

(m) By adding the following sub-paragraph in Article 103(1) immediately after Article 103(1)(vi):

""Associates", for the purposes of this Article 103(1), shall have the meaning attributed to it under the rules, where applicable, of the Designated Stock Exchange.""

By order of the board of Directors
Aptus Holdings Limited
Chen Vee Li, Felix
Chairman

Hong Kong, 19 March, 2004

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 notarially certified copy of that power or authority, at the offices of the Company's Hong Kong branch registrar, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, 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 2003.