



Interim Report

APTUS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

APTUS

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

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This report, for which the directors of Aptus Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS

The Board of Directors (the “Board”) of Aptus Holdings Limited (the “Company”) herein presents the unaudited consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 31 March 2004, together with the comparative unaudited figures for the corresponding periods in 2003 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months ended 31 March		Three months ended 31 March	
		2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2003 (Unaudited) HK\$'000
TURNOVER	4	477	13,442	359	5,239
Cost of sales		(175)	(9,431)	(130)	(3,783)
Gross profit		302	4,011	229	1,456
Other revenue and gains		3	4	2	-
Selling and distribution costs		(138)	(1,873)	(92)	(1,152)
Administrative expenses		(3,863)	(4,703)	(2,012)	(2,508)
LOSS FROM OPERATING ACTIVITIES		(3,696)	(2,561)	(1,873)	(2,204)
Finance costs		(193)	-	(136)	-
Share of loss of a jointly-controlled entity		(56)	-	(56)	-
LOSS BEFORE TAX	5	(3,945)	(2,561)	(2,065)	(2,204)
Tax	6	-	-	-	-
LOSS BEFORE MINORITY INTERESTS		(3,945)	(2,561)	(2,065)	(2,204)
Minority interests		-	130	-	43
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(3,945)	(2,431)	(2,065)	(2,161)
LOSS PER SHARE	7				
- Basic		HK0.64 cent	HK0.39 cent	HK0.33 cent	HK0.35 cent
- Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		As at 31 March 2004 (Unaudited) HK\$'000	As at 30 September 2003 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		5,148	6,386
Long term deposit		3,400	3,400
Interest in a jointly-controlled entity		1,968	2,731
		10,516	12,517
CURRENT ASSETS			
Accounts receivable	9	38	4,747
Prepayment, deposits and other receivables		2,057	1,164
Cash and bank balances		7,769	6,414
		9,864	12,325
CURRENT LIABILITIES			
Accounts payable	10	34	88
Accrued liabilities and other payable		2,956	5,845
Tax payable		523	523
Convertible notes	11	5,000	7,535
Finance lease payables		40	79
Term loan	12	5,000	–
		13,553	14,070
NET CURRENT LIABILITIES		(3,689)	(1,745)
NET ASSETS		6,827	10,772
CAPITAL AND RESERVE			
Issued capital		6,183	6,183
Reserves		644	4,589
		6,827	10,772

CONDENSED CASH FLOW STATEMENT

	Six months ended 31 March 2004 (Unaudited) <i>HK\$'000</i>	Six months ended 31 March 2003 (Unaudited) <i>HK\$'000</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	(1,890)	(5,792)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	-	(7,957)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	3,245	(3,000)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,355	(16,749)
Cash and cash equivalents at beginning of the period	6,414	25,182
CASH AND CASH EQUIVALENTS AT END OF YEAR	7,769	8,433

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
AT 1 October 2002	6,183	44,960	17,240	(4,272)	64,111
Net loss for the period	-	-	-	(2,431)	(2,431)
At 31 March 2003	6,183	44,960	17,240	(6,703)	61,680
AT 1 October 2003	6,183	44,960	17,240	(57,611)	10,772
Net loss for the period	-	-	-	(3,945)	(3,945)
At 31 March 2004	6,183	44,960	17,240	(61,556)	6,827

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants.

2. BASIS OF CONSOLIDATION

The unaudited consolidated results of the Group for the three months and six months ended 31 March 2004 include the results of the Company and its subsidiaries for the three months and six months ended 31 March 2004.

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

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted for the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 30 September 2003, except that the Group has adopted SSAP 12 (Revised) “Income Taxes” which prescribes new accounting measurements and disclosure practices. The adoption of this SSAP during the financial period does not have any significant effect on the Group’s unaudited consolidated results for the period and the prior period.

4. TURNOVER AND SEGMENT INFORMATION

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.

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

The following table presents revenue and results information for the Group's business segment.

	Services provision		Trading		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	477	575	-	12,867	477	13,442
Segment results	(711)	(387)	-	2,474	(711)	2,087
Unallocated income					3	4
Unallocated expenses					(2,988)	(4,652)
					(3,696)	(2,561)
Finance costs					(193)	-
Share of loss of a jointly-controlled entity					(56)	-
Loss before tax					(3,945)	(2,561)
Tax					-	-
Loss before minority interests					(3,945)	(2,561)
Minority interests					-	130
Net loss from ordinary activities attributable to shareholders					(3,945)	(2,431)

5. LOSS BEFORE TAX

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

	Six months ended	
	31 March	
	2004	2003
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	–	9,220
Cost of services provided	175	211
Interest on convertible notes	111	–
Depreciation	1,238	1,537

6. TAX

No Hong Kong profits tax has been provided for the three months and six months ended 31 March 2004 (three months and six months ended 31 March 2003: Nil) as the Group did not generate any assessable profits in Hong Kong during these periods. Taxes on profit 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.

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

7. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months ended 31 March 2004 is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months and six months ended 31 March 2004 of approximately HK\$2.1 million and HK\$3.9 million respectively (three months and six months ended 31 March 2003: net loss of approximately HK\$2.1 million and HK\$2.4 million respectively) and the weighted average of 618,260,000 shares in issue during the three months and six months ended 31 March 2004 (three months and six months ended 31 March 2003: 618,260,000 shares).

No diluted loss per share is shown for the three months and six months ended 31 March 2003 and 2004 as the effect of the share options of the Company granted on 24 April 2002 and 11 July 2002 and the convertible note issued on 30 September 2003 by the Company were either anti-dilutive or had no dilutive effect on the basic loss per share for these periods.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 March 2004 (six months ended 31 March 2003: nil).

9. ACCOUNTS RECEIVABLE

Accounts receivable, which generally have credit terms of not more than 90 days, are recognized 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:

	31 March 2004 (Unaudited) HK\$'000	30 September 2003 (Audited) HK\$'000
Within 90 days	38	240
91-180 days	-	73
Over 180 days	-	4,434
	38	4,747

10. ACCOUNTS PAYABLE

At 31 March 2004, the accounts payable were aged within 90 days, which was based on the date of goods and services received.

11. CONVERTIBLE NOTES

The Company has issued the following convertible notes:

	<i>Notes</i>	31 March 2004 (Unaudited) HK\$'000	30 September 2003 (Audited) HK\$'000
Westport Convertible Note	<i>(i)</i>	-	2,535
Interoverseas Convertible Note	<i>(ii)</i>	5,000	5,000
		5,000	7,535

- (i) Pursuant to a deed of release entered by the Company and Westport dated 23 March 2004, the Convertible Note had been redeemed by the Company.

- (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.

12. TERM LOAN

		31 March 2004 (Unaudited) HK\$'000	30 September 2003 (Audited) HK\$'000
	<i>Notes</i>	HK\$'000	HK\$'000
Term loan	<i>(i)</i>	5,000	–

- (i) 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\$2,476,000 (equivalent to approximately HK\$5,000,000). The term loan is unsecured and bears interest at 6% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND PROSPECT

During the period under review, the Group continues to stream line its business operations to focus mostly on provisioning of product commercialization services. Meanwhile, the Group also continues its rigorous cost control policies. As a result, the Group’s turnover and expenses were recorded lower as compared to the previous corresponding period.

On 23 March 2004, the Company had entered into a Sales and Purchase Agreement to acquire 75% equity stake in Top Entrepreneur Profits Limited (“TEPL”). TEPL, in turn, indirectly holds 75% interests of Hsing Long Trading Co., Ltd (“Hsing Long”), a Singapore incorporated company. Hsing Long is principally engaged in the business of trading of edible oil by-products by sourcing crude palm oil from Indonesian plantation and selling it to refineries and processors in South East Asia, Indian sub-continent, Europe and PRC. Concurrently, Precise Result Profits Limited (“PRPL”), the vendor of TEPL, conditionally agreed to subscribe HK\$15.5 Million worth of new shares of the Company at HK\$0.021 per share.

Following a recent decision made by the Listing Committee of the Hong Kong Stock Exchange Ltd, the above mentioned Transactions are constituted as connected and major transaction for the Company under the GEM Listing Rules in effect immediately prior to 31 March 2004. The completion of the Transactions is conditional upon the approval of the Independent Shareholders and fulfilment of a number of condition precedents.

FINANCIAL REVIEW

Results

For the six months period ended 31 March 2004, the Group’s unaudited consolidated turnover and loss attributable to shareholders were HK\$477,000 (2003: HK\$13,442,000) and HK\$3.9 million (2003: HK\$2.4 million) respectively. There was 96.5% decrease in turnover with an approximately 0.6 times increase in loss attributable to shareholders over the corresponding period last year. Gross profit was 63.3% for the six months period under review (2003: 29.8%).

The increase in the loss attributable to shareholders was mainly attributable to the decrease in turnover, increase in finance costs and share of loss of a jointly-controlled entity. The increase in gross profit margin was mainly contributed by the relatively higher gross profit margin for the provision of product commercialization services.

Administrative expenses decreased because of the adoption of the new operation plan, which streamlined the operations and enhanced the efficiency of resources allocation.

Liquidity, financial resources and capital structure

As at 31 March 2004, the Group had assets of approximately HK\$20.4 million (30 September 2003: HK\$24.8 million), including net cash and bank balances of approximately HK\$7.8 million (30 September 2003: HK\$6.4 million).

During the six months ended 31 March 2004, the Group financed its operations and investing activities with internally generated cash flows, term loan and the balance of the proceeds from the issuance of new shares. There was no charge on the Group’s assets as at 31 March 2004 (30 September 2003: nil).

As at 31 March 2004, 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% (30 September 2003: nil).

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\$5,000,000). The term loan is unsecured and bears interest at 6% 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.

Significant investment

As at 31 March 2004, there was no significant investment held by the Group (30 September 2003: nil).

Material acquisition or disposal of subsidiaries and affiliated companies

There were no material acquisitions or disposal of subsidiaries and affiliated companies in the course of the six months ended 31 March 2004.

Segment information

An analysis of the Group's turnover and contribution to results by principal activities for the six months ended 31 March 2004 is set out in note 4 to the report.

Future plans for material investments and expected source of funding

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

Contingent liabilities

The Group had no material contingent liabilities (30 September 2003: nil).

Employees and remuneration policies

As at 31 March 2004, the Group employed 51 full-time employees. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to its employees in the PRC.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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 31 March 2004 is set out below:

		Business objectives up to 31 March 2004 as stated in the Prospectus	Actual business progress up to 31 March 2004
1.	Direct Marketing Team Expansion	<ul style="list-style-type: none"> - Recruit direct marketing account executives - Recruit direct marketing support personnel - Improve direct marketing support facilities 	<ul style="list-style-type: none"> - number of direct marketing account executives increased - number of direct marketing support personnel increased - additional facilities, mainly computer equipments were purchased
2.	Product Consulting Team Expansion	<ul style="list-style-type: none"> - Recruit product consulting account executives - Recruit product consulting support personnel - Purchase additional support facilities 	<ul style="list-style-type: none"> - number of product consulting account executives increased - number of product consulting support personnel increased - additional facilities, mainly computer equipments were purchased
3.	Sales Force Management Consulting Team Expansion	<ul style="list-style-type: none"> - Recruit account executives - Set up additional facilities and representative offices 	<ul style="list-style-type: none"> - number of account executives increased - additional facilities, mainly computer equipments were purchased - Shanghai representative office was set up

	Business objectives up to 31 March 2004 as stated in the Prospectus	Actual business progress up to 31 March 2004
4.	Distribution Rights Acquisition	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - 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	<ul style="list-style-type: none"> - Enrich internet portal content - internet portal content enrichment is in progress - Establish e-commerce platform - planning stage
7.	Service Coverage Extension	<ul style="list-style-type: none"> - Introduce human resources management services - planning stage - Introduce call-centre facilities - planning stage
8.	Secure Overseas Alliances	<ul style="list-style-type: none"> - Form alliance with medical journal publishers - under negotiation - Form alliance with continuing medical education service providers - planning stage - Form alliance with database management companies - 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 six months ended 31 March 2004, the net proceeds were applied in the following areas:

	Amount extracted from the Prospectus dated 30 April 2002		Change in use of proceeds (Note) HK\$'000	Actual amount used up to 31 March 2004 HK\$'000
	Total HK\$'000	Up to 31 March 2004 HK\$'000		
Expenditure in relation to direct marketing team expansion	8,000	6,800		8,000
Expenditure in relation to product consulting team expansion	8,000	6,800	(4,000)	4,000
Expenditure in relation to sales force management consulting team expansion	6,700	5,900	(3,100)	3,600
Expenditure in relation to distribution rights acquisition	7,500	7,500	7,100	14,600
Expenditure in relation to database management enhancement	5,400	5,400		5,400
Expenditure in relation to internet and e-commerce development	800	800		700
Expenditure in relation to service coverage extension	2,500	2,500		1,975
Expenditure in relation to secure overseas allowances	1,500	1,000		800
General working capital	1,100	1,100		1,100
	41,500	37,800		40,175

The remaining net proceeds as at 31 March 2004, was approximately HK\$1.3 million and has been placed as bank deposits.

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

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

At 31 March 2004, 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

Name of director	Number of shares held, capacity and nature of interest			Total	Percentage of the Company’s issued share capital
	Directly beneficially owned	Through controlled corporation	Beneficiary of a trust		
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

* *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.*

Save as disclosed above, as at 31 March 2004, 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

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

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

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

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

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

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

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

At 31 March 2004, 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 Chan Vee Li, Felix.*

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 and 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.

COMPETING INTERESTS

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

SPONSOR’S INTERESTS

As at 31 March 2004, 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

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

AUDIT COMMITTEE

The Company has an audit committee (the “Committee”) which was established with written terms of reference in compliance with Rules 5.23 and 5.24 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The Committee comprises the two independent non-executive directors, Mr. Ma Ching Nam and Dr. Yau Yat Yin, and one executive director, Lee Chan Wah of the Company.

The Group’s unaudited results for the six months ended 31 March 2004 have been reviewed by the Committee, who are of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures have been made.

PURCHASES, SALE AND REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the six months ended 31 March 2004, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

By Order of the Board
CHEN Vee Li, Felix
Chairman

Hong Kong, 13 May 2004