



**APTUS Holdings Limited**

**問博控股有限公司**

APTUS (Incorporated in the Cayman Islands with limited liability)

Annual Report **2004**

## 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 board of directors of Aptus Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors, 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.*



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# Corporate Information

## BOARD OF DIRECTORS

### **Executive Directors**

Mr. CHAN Ting  
Mr. FUNG King Him, Daniel

### **Independent Non-executive Directors**

Mr. TIAN He Nian  
Madam QI Mei  
Mr. TSUI Wing Tak

## AUDIT COMMITTEE

Mr. TIAN He Nian  
Madam QI Mei  
Mr. TSUI Wing Tak

## AUTHORISED REPRESENTATIVES

Mr. CHAN Ting  
Mr. FUNG King Him, Daniel

## COMPLIANCE OFFICER

Mr. FUNG King Him, Daniel

## COMPANY SECRETARY

Mr. CHAN Man Sum, Ivan *AICPA*

## QUALIFIED ACCOUNTANT

Mr. CHAN Man Sum, Ivan *AICPA*

## PRINCIPAL BANKER

Nanyang Commercial Bank, Limited  
151 Des Voeux Road Central  
Hong Kong

## AUDITORS

W.H. Tang & Partners CPA Limited  
Level 7, Parkview Centre  
7 Lau Li Street, Causeway Bay  
Hong Kong

## SOLICITORS

Li & Partners  
22/F., World Wide House  
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

30th Floor, Sunshine Plaza  
No. 353 Lockhart Road  
Hong Kong

## SHARE REGISTRAR AND TRANSFER

Tengis Limited  
Ground Floor  
Bank of East Asia Harbour View Centre  
56 Gloucester Road, Wanchai  
Hong Kong

# Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "Board" or the "Directors") 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 2004.

## Development

The Group was principally engaged in the provision of direct marketing, product consulting services and sales force management services and trading of pharmaceutical products (the "Original Business") which have been loss-making since the year ended 30 September 2003. In view of the disappointed result of the Original Business, the Group decided to engage in new business in order to improve its performance.

On 26 August 2004, the Group issued shares to acquire edible oil business (the "Acquisition") from B & B Natural Products Limited which is engaged in retail business in the People's Republic of China (the "PRC") and whose ordinary shares are listed on the GEM of the Stock Exchange and B & B Natural Products Limited subscribed additional shares from the Company (the "Subscription"). After the Acquisition and the Subscription, new directors and management have been introduced to the Group in order to improve the Group's operation and to explore other new business opportunities.

The Group's new edible oil business is mainly engaged in the trading of edible oil by-products, namely vegetable oil by sourcing crude palm oil from Indonesian plantation and selling it to refineries and processors in South East Asia, Indian sub-continent, Europe and in the PRC. Edible oils are recognized as essential nutrients in human diet. They produce the most concentrated source of energy of any foodstuff, supply essential fatty acids, contribute greatly to the feeling of satiety after eating, are carriers for fat soluble vitamins and serve to make foods more palatable.

## Business Review

### Product commercialization services

For the year ended 30 September 2004, the provision of product commercialization services contributed of approximately HK\$2.2 million to the Group's turnover representing an increase of approximately 48.6% as compared to that of the corresponding period of last year. The increase in turnover can be attributed to the fact that the average service charge for each service was increased.

### Trading

For the year ended 30 September 2004, the trading business contributed of approximately HK\$32.2 million to the Group's turnover representing an increase of approximately 105% as compared to that of the corresponding period of last year. The increase in turnover was mainly due to the new business of edible oil.

# Chairman's Statement

## Future Outlook

To maximize the Group's benefits, the Group's operation will be re-engineered such that the utilization of resources can be more efficient and effective. In this regard, the re-engineering is envisioned to focus primarily on strengthening the distribution network of edible oil and to enhance the edible oils by-products portfolio by leveraging on B & B Natural Products Limited's extensive business networks while the Group will continue to explore other new business opportunities. In addition, the Group will also streamline the operations that had no or had insignificant contribution to the Group.

To strengthen the Group's management, the Board will invite Madam Cheung Kwai Lan to join the Group as an executive Director. Madam Cheung will be responsible for business development, strategic planning and marketing for the Group. She is the vice president of the Zhang Xueliang Foundation (張學良基金會). She graduated from Shanxi Tai Yuan Medical School in 1960 and was a researcher of 山西省太原(原子能)研究所, which was one of the institutions of the Chinese Academy of Science. She also participated in the research and development of the radioactive material Cobalt 60 for imaging and cancer treatment. Madam Cheung is an executive director of B & B Natural Products Limited, which is a substantial shareholder of the Company, and is listed on the GEM of the Stock Exchange.

## Acknowledgement

On behalf of the Board of the Directors, I wish to thank all our valued shareholders, customers, business associates, and advisors for their invaluable assistance and strong support. I would like to thank my fellow Directors, the management and the staff for their dedication, commitment and valuable contributions to the Group. The Board, the management and the staff will continue to give their best effort to overcome any challenges and to improve the Group's result.

**CHAN Ting**

*Chairman*

Hong Kong, 6 December 2004

# Management Discussion and Analysis

## FINANCIAL REVIEW

For the year ended 30 September 2004, the Group recorded turnover of approximately HK\$34.4 million, representing an increase of approximately 100% as compared to approximately HK\$17.2 million in the last financial year. Although the Group's turnover for the year ended 30 September 2004 was improved, the Group recorded net loss of approximately HK\$12.5 million (2003: net loss HK\$53.3 million). Such loss was mainly attributable to the low gross margin of products sold by the Group.

The Group's administrative expenses amounted to approximately HK\$13.3 million (2003: HK\$12.7 million), representing a light increase of approximately 4.7%. Other operating expenses consisted of mainly of impairment of fixed assets of approximately HK\$2.7 million.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2004, the Group had assets of approximately HK\$50.1 million (2003: HK\$24.8 million), including net cash and bank balances of approximately HK\$17.6 million (2003: HK\$6.4 million).

As at 30 September 2004, the Group had bank facilities, detail of which please refer to note 28 to the financial statements. The gearing ratio, defined as the ratio between total bank borrowings excluding facilities on letter of credit and shareholders' equity, was 0% (2003: 0%). During the year ended 30 September 2004, the Group financed its operations and investing activities primarily with internally generated cash flows and the remaining balance of the net proceeds from the issue of the Company's shares in relation to the listing on GEM and the issuance of new shares in August 2004 for the Acquisition and the Subscription.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

The business activities of the Group are not exposed to material fluctuations in exchange rate except its operations through its subsidiaries in the PRC and Singapore which are subject to fluctuation in exchange rates between Renminbi, Singapore dollars and Hong Kong dollars.

## CONTINGENT LIABILITIES

As at 30 September 2004, the Group had no contingent liabilities.

## SIGNIFICANT INVESTMENT

On 26 August 2004, the Company issued 190,476,190 shares to acquire edible oil business from B & B Natural Products Limited. The Company owns an approximate 70.31% interest in the edible oil business.

## CAPITAL STRUCTURE

On 26 August 2004, the Company issued 928,571,428 shares for the Acquisition and the Subscription.

After the completion of the Acquisition and the Subscription, the number of the Company's issued shares was enlarged to 1,546,831,428 shares.

# Comparison of Business Objectives with Actual Business Achievement

A comparison of business objectives as stated in the Company's prospectus dated 30 April 2002 with the Group's actual business achievement up to 30 September 2004 is set out below:

	<b>Business objectives up to 30 September 2004 as stated in the Prospectus</b>	<b>Actual achievement since the listing of the Company's shares on GEM and up to 30 September 2004</b>
1. Direct Marketing Team Expansion	- Recruit direct marketing account executives	- number of direct marketing account executives had increased
	- Recruit direct marketing support personnel	- number of direct marketing support personnel had 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 had increased
	- Recruit product consulting support personnel	- number of product consulting support personnel had 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 had increased
	- Set up additional facilities and representative offices	- additional facilities, mainly computer equipments were purchased
		- Shanghai representative office was set up



# Comparison of Business Objectives with Actual Business Achievement

	<b>Business objectives up to 30 September 2004 as stated in the Prospectus</b>	<b>Actual achievement since the listing of the Company's shares on GEM and up to 30 September 2004</b>
4. Distribution Rights Acquisition	<ul style="list-style-type: none"> <li>- Secure additional pharmaceutical product distribution rights</li> </ul>	<ul style="list-style-type: none"> <li>- exclusive distribution right of five Korean products had been acquired</li> <li>- exclusive distribution right of Jinlianhua products had been acquired</li> <li>- exclusive distribution right of skincare and health care products had been acquired</li> </ul>
5. Database Management Enhancement	<ul style="list-style-type: none"> <li>- Enrich database content</li> <li>- Upgrade hardware and software computer facilities</li> <li>- Recruit database personnel</li> </ul>	<ul style="list-style-type: none"> <li>- phase two of database enrichment was completed</li> <li>- hardware and software of computer facilities had been upgraded</li> <li>- number of database personnel had increased</li> </ul>
6. Internet and E-Commerce Development	<ul style="list-style-type: none"> <li>- Enrich internet portal content</li> <li>- Establish e-commerce platform</li> </ul>	<ul style="list-style-type: none"> <li>- internet portal content enrichment was completed</li> <li>- planning stage</li> </ul>
7. Service Coverage Extension	<ul style="list-style-type: none"> <li>- Introduce human resources management services</li> </ul>	<ul style="list-style-type: none"> <li>- planning stage</li> </ul>
8. Secure Overseas Alliances	<ul style="list-style-type: none"> <li>- Form alliance with medical journal publishers</li> <li>- Form alliance with continuing medical education services providers</li> <li>- Form alliance with database management companies</li> </ul>	<ul style="list-style-type: none"> <li>- planning stage</li> <li>- planning stage</li> <li>- planning stage</li> </ul>

# Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. CHAN Ting**, aged 35, has been appointed as an executive Director and the authorised representative of the Company on 27 August 2004. He was awarded a degree in Economics from Macquarie University in Australia in 1993. Mr. Chan Ting has over ten years of solid experience in establishing and managing companies in the PRC. He is an executive director and chief executive officer of B & B Natural Products Limited which holds 60.03% shareholding of the Company and is a company listed on the GEM of the Stock Exchange.

**Mr. FUNG King Him, Daniel**, aged 34, has been appointed as an executive Director, compliance officer and authorised representative of the Company on 27 August 2004. He holds a bachelor's degree from the University of Wisconsin in the United States of America with double majors in Mathematics and Computer Science. He previously worked in Lehman Brothers Asia Limited, HSBC Asset Management Limited and Platinum Securities Company Limited.

### Independent Non-executive Directors

**Mr. TIAN He Nian**, aged 64, was the deputy head of the Department of United Front Work of the Central Government of the PRC from 1998 to 2003. He is the vice-chairman of China Overseas Association. He is also an independent non-executive director and audit committee member of B & B Natural Products Limited. He joined the Group on 30 September 2004.

**Madam QI Mei**, aged 36, graduated from Gansu Industrial University in 1991, majored in Industrial and Corporate Management, after which she was assigned to Lian Cheng Aluminum Factory Lian Hai Zong He Development Corporation, an enterprise under the direct control of the Central Government of the PRC, to work as chief accountant. She has worked for various real estates and securities companies and has vast financial and accounting experience in the PRC. She joined the Group on 27 August 2004.

**Mr. TSUI Wing Tak**, aged 36, holds a bachelor's degree in economics from Macquarie University, Australia. He is a member of both the Hong Kong Institute of Certified Public Accountants and CPA Australia. He has over 11 years of experience in auditing, accounting and financing. He is also an independent non-executive director and audit committee member of B & B Natural Products Limited. He joined the Group on 27 August 2004.

## SENIOR MANAGEMENT

**Mr. CHAN Man Sum, Ivan**, aged 31, is the chief financial officer, the qualified accountant and the company secretary of the Company. He joined the Group on 27 August 2004. He is a member of the American Institute of Certified Public Accountants and holds a Bachelor of Science degree in Business Administration with emphasis on Accounting issued by California State University, Los Angeles. He had seven years of experience in the fields of investment banking, accounting and financial management.

# Directors and Senior Management

**Mr. WONG Kim Ket**, aged 43, is the executive director of one of the Company's subsidiary, Hsing Long Trading Co. Pte. Ltd. in Singapore, which is mainly engaged in the edible oil business. He is one of the founder of the subsidiary and has been managing the subsidiary for more than six years. His formal educational background is in computer engineering and he also holds a Master in Business Administration (MBA) from University of Oregon in USA. His responsibilities include overall day-to-day management and operations, and implementation and control of new as well as existing strategies and businesses for the subsidiary. He has more than 15 years of working experience in international trade and financial operations.

# Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 30 September 2004.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 17 to the financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 September 2004 are set out in the consolidated income statement on page 23.

The Directors do not recommend the payment of any dividend for the year.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 to the financial statements.

## SHARE OPTION SCHEMES

Details of movements in the share option schemes of the Company during the year are set out in this Report on pages 14 and 15 and note 25 to the financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 26 to the financial statements.

## DISTRIBUTABLE RESERVES

As at 30 September 2004, the Company had no retained profits available for cash distribution and/or distribution in specie. As at 30 September 2004, under the Companies Law (2001 Second Revision) of the Cayman Islands, the Company's share premium account and capital reserve of approximately HK\$55,175,000 and HK\$15,826,000, respectively, 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.

## FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interest of the Group for the five financial years is set out on pages 65 and 66 of the annual report.

# Directors' Report

## USE OF PROCEEDS

The proceeds from the issue of the Company's new shares in relation to the listing of its shares on the GEM of the Stock Exchange in May 2002, after deduction of related issuance expenses, amounted to approximately HK\$41.5 million. The proceeds were applied in the following areas:

	<b>Amount extracted from the Prospectus dated 30 April 2002 up to 30 September 2004</b>	<b>Re-allocation of proceeds: addition/ (subtraction)</b>	<b>Actual amount used up to 30 September 2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Expenditure in relation to direct marketing team expansion	8,000	–	8,000
Expenditure in relation to product consulting team expansion	8,000	(4,000) <i>(Note)</i>	4,000
Expenditure in relation to sales force management consulting team expansion	6,700	(3,100) <i>(Note)</i>	3,600
Expenditure in relation to distribution rights acquisition	7,500	7,100 <i>(Note)</i>	14,600
Expenditure in relation to database management enhancement	5,400	–	5,400
Expenditure in relation to internet and e-commerce development	800	(200)	600
Expenditure in relation to service coverage extension	2,500	(1,545)	955
Expenditure in relation to secure overseas allowances	1,500	(1,305)	195
General working capital	1,100	3,050	4,150
	<u>41,500</u>	<u>–</u>	<u>41,500</u>

# Directors' Report

*Note:* On 5 November 2002, the Group issued a circular (the "Circular") in relation to the acquisition of the 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 of the Company dated 30 April 2002, was reallocation to finance the consideration of the Acquisition.

## DIRECTORS

The Directors during the year and up to the date of this report were:

### Executive Directors

Mr. Chan Ting	(Appointed on 27 August 2004)
Mr. Fung King Him, Daniel	(Appointed on 27 August 2004)
Mr. Chen Vee Li, Felix	(Resigned on 27 August 2004)
Mr. Lee Chan Wah	(Resigned on 27 August 2004)
Mr. Wong Kok Sun	(Resigned on 30 September 2004)

### Non-executive Directors

Mr. Chen Si Te, Frank	(Resigned on 27 August 2004)
Dr. Wong Kwok Yiu, Chris	(Resigned on 27 August 2004)
Mr. Ma Wai Hung, Vincent	(Resigned on 30 September 2004)

### Independent Non-executive Directors

Mr. Tian He Nian	(Appointed on 30 September 2004)
Madam Qi Mei	(Appointed on 27 August 2004)
Mr. Tsui Wing Tak	(Appointed on 27 August 2004)
Dr. Yau Yat Yin	(Resigned on 27 August 2004)
Mr. Ma Ching Nam	(Resigned on 27 August 2004)

Since all the existing executive directors and independent non-executive directors were appointed by the board of directors of the Company after the Company's last annual general meeting held on 14 April 2004, they will hold office until the forthcoming annual general meeting pursuant to Article 86(3) of the Articles of Association of the Company (the "Articles") and, being eligible, offer themselves for re-election as directors of the Company.

# Directors' Report

## DIRECTORS' SERVICE CONTRACTS

The two executive Directors, Mr. Chan Ting and Mr. Fung King Him, Daniel, have not entered into service contracts with the Company. They are not appointed for a specific term and are subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company. They are also entitled to terminate their appointment at any time by giving the Company at least three months' notice in writing. The three independent non-executive Directors, Mr. Tian He Nian, Madam Qi Mei and Mr. Tsui Wing Tak, have not entered into service contracts with the Company. They are not appointed for a specific term and are subject to retirement by rotation and re-election pursuant to the Articles of Association of the Company. They are also entitled to terminate their appointment at any time by giving the Company at least three months' notice in writing.

Each of the independent non-executive Directors has confirmed his/her independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the year ended 30 September 2004 and the Company considers the independent non-executive Directors to be independent.

## DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No other contract of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2004, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (1) Long positions in the ordinary shares of the Company

Name of director	Number of ordinary shares held			Total interest	Percentage of the Company's issued share capital
	Personal interest	Corporate interest	Beneficiary of a trust		
Ma Wai Hung, Vincent (Note (i))	–	12,000,000 (Note (ii))	132,650,000 (Note (iii))	144,650,000	9.35

# Directors' Report

*Notes:*

- (i) The Director resigned on 30 September 2004.
- (ii) These shares are beneficially owned by Jingle Holdings Limited, which is wholly beneficially owned by Ma Wai Hung, Vincent.
- (iii) These shares are beneficially owned by E-Source Limited, which is wholly owned by the Ma Family 2002 Trust (the "Ma Trust"), a discretionary trust. The discretionary objects of the Ma Trust include the family members of Ma Wai Hung, Vincent.

## (2) Share option schemes

Details of the share option schemes adopted by the Company are set out in note 25 to the financial statements.

As at 30 September 2004, the share options granted to the Directors and a chief executive were cancelled due to their resignation. The movements of the Company's share options of the directors and a chief executive during the year are set out in the table below:

Name of director	Date of grant	Exercise price HK\$	Outstanding at 1/10/2003	Cancelled during the year	Outstanding at 30/9/2004	Share option schemes
Chen Vee Li, Felix*	24/4/2002 <sup>^</sup>	0.50	18,000,000	(18,000,000)	-	Pre-IPO
Ma Wai Hung, Vincent <sup>#</sup>	24/4/2002 <sup>^</sup>	0.50	18,000,000	(18,000,000)	-	Pre-IPO
Wong Kok Sun <sup>#</sup>	24/4/2002 <sup>^</sup>	0.10	1,250,000	(1,250,000)	-	Pre-IPO
Lee Chan Wah*	24/4/2002 <sup>^</sup>	0.10	500,000	(500,000)	-	Pre-IPO
Chen Si Te, Frank*	24/4/2002 <sup>^</sup>	0.10	250,000	(250,000)	-	Pre-IPO
	11/7/2002	0.612	400,000	(400,000)	-	Post-IPO~
Wong Kwok Yiu, Chris*	11/7/2002	0.612	400,000	(400,000)	-	Post-IPO~
Yau Yat Yin*	11/7/2002	0.612	400,000	(400,000)	-	Post-IPO~
Ma Ching Nam*	11/7/2002	0.612	400,000	(400,000)	-	Post-IPO~
<i>Chief executive</i>						
Alex Chow*	24/4/2002 <sup>^</sup>	0.10	9,000,000	(9,000,000)	-	Pre-IPO
			<u>48,600,000</u>	<u>(48,600,000)</u>	<u>-</u>	

\* The Directors and chief executive resigned on 27 August 2004.



# Directors' Report

- # The Directors resigned on 30 September 2004.
- ^ The vesting period of the share options under the Pre-IPO Option Scheme (the "Pre-IPO") is from the date of grant until the commencement of the exercise period.
- ~ The exercise price of the Post-IPO Scheme Options (the "Post-IPO") is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital. Besides, 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, amounting to HK\$0.550.

As at 30 September 2004, no share option had been granted or agreed to be granted to the Directors and chief executives under the Post-IPO Option Scheme. During the year, 60,000,000 share options had been granted to certain eligible participants under the Post-IPO Option Scheme.

The closing price of the Company's shares on 10 September 2004 and 30 September 2004, the dates of grant of the share options, were HK\$0.08 and HK\$0.145, respectively.

The Directors consider that it is inappropriate to state the value of the options granted during the year due to the following reasons:-

- (1) the calculation of the value of the options will be based on a number of undetermined but crucial variables such as the exercise price payable for the shares in the Company, the number of options to be granted under the scheme during its duration, the exercisable period, interest rate, expected volatility and other relevant variables. In particular, the duration of the scheme will make these volatile variables very difficult to ascertain with accuracy;
- (2) the generally accepted pricing models of options normally value options which are transferable but the options granted to a grantee under the scheme are personal to the grantee and are non-transferable and non-assignable and hence calculation of the value of the options granted under the scheme using such pricing models may not be appropriate; and
- (3) the Directors are of the view that the calculation on speculative assumptions would not be meaningful and would be misleading to the shareholders of the Company.

Save as disclosed above, as at 30 September 2004, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

# Directors' Report

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2004, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Name of Shareholders	Capacity	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Precise Result Profits Limited ("Precise")	Direct interest of corporation	928,571,428	-	928,571,428	60.03
China Success Enterprises Limited (Note 1)	Interest of corporation through wholly owned subsidiary	928,571,428	-	928,571,428	60.03
B & B Natural Products Limited (Note 2)	Interest of corporation through wholly owned subsidiary	928,571,428	-	928,571,428	60.03
Best Frontier Investments Limited (Note 3)	Interest of corporation through non-wholly owned subsidiary	928,571,428	-	928,571,428	60.03
Cheung Kwai Lan (Note 4)	Beneficial owner	928,571,428	-	928,571,428	60.03
Chan Tung Mei (Note 5)	Beneficial owner	928,571,428	-	928,571,428	60.03

# Directors' Report

Name of Shareholders	Capacity	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Ma Wai Hung, Vincent (Note 7)	Through a discretionary trust/ wholly owned subsidiary	144,650,000	18,000,000	162,650,000	10.52
E-Source Limited	Direct interest of corporation	132,650,000	–	132,650,000	8.58
Trustcorp Limited (Note 6)	Trustee	132,650,000	–	132,650,000	8.58

*Notes:*

1. Precise is a wholly owned subsidiary of China Success Enterprises Limited. The shares referred to herein relate to the same parcel of shares held by Precise.
2. China Success Enterprises Limited is a wholly owned subsidiary of B & B Natural Products Limited. The shares referred to herein relate to the same parcel of shares held by Precise.
3. As at 30 September 2004, Best Frontier Investments Limited is interested in approximately 54.45% of the issued share capital of B & B Natural Products Limited. The shares referred to herein relate to the same parcel of shares held by Precise.
4. Madam Cheung Kwai Lan and Mr. Chan Tung Mei have equity interests of 99.89% and 0.11%, respectively of the issued share capital of Best Frontier Investments Limited. Madam Cheung Kwai Lan is the spouse of Mr. Chan Tung Mei. Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares under SFO. The shares referred to herein relate to the same parcel of shares held by Precise.

Besides, Madam Cheung Kwai Lan holds 1,380,000 shares of B & B Natural Products Limited as at 30 September 2004.

5. Madam Cheung Kwai Lan and Mr. Chan Tung Mei have equity interests of 99.89% and 0.11%, respectively of the issued share capital of Best Frontier Investments Limited. Mr. Chan Tung Mei is the spouse of Madam Cheung Kwai Lan. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under SFO. The shares referred to herein relate to the same parcel of shares held by Precise.

Besides, Madam Cheung Kwai Lan holds 1,380,000 shares of B & B Natural Products Limited as at 30 September 2004. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under SFO.

# Directors' Report

6. These shares are beneficially owned by E-Source Limited, which is wholly owned by Trustcorp Limited which is under the Ma Family 2002 Trust, a discretionary trust. The shares referred to herein relate to the same parcel of shares held by E-Source Limited.
7. The 132,650,000 shares are beneficially owned by E-Source Limited which is wholly owned by Trustcorp Limited. Trustcorp Limited is wholly owned by the Ma Family 2002 Trust (the "Ma Trust"), a discretionary trust. The discretionary objects of the Ma Trust include the family members of Mr. Ma Wai Hung, Vincent.

The 12,000,000 shares are beneficially owned by Jingle Holdings Limited which is wholly beneficially owned by Mr. Ma Wai Hung, Vincent. During the year, Mr. Ma Wai Hung, Vincent held 18,000,000 share options under the Pre-IPO Option Scheme, all of which had been cancelled since Mr. Ma Wai Hung, Vincent resigned on 30 September 2004.

Save as disclosed above, as at 30 September 2004, the Directors are not aware of any other person who has an interest or short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or who is interested in 5% or more of the Company's issued share capital.

## CONNECTED TRANSACTIONS

During the year, there were no significant transactions which require to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 99.39% of the total turnover for the year and sales to the largest customer included therein amounted to 64.94%.

In addition, the Group made 100% of its total purchases from four suppliers and purchases from the largest supplier included therein amounted to 64.27%.

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 interest in the Group's five largest customers or the four suppliers during the year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclose in the paragraph headed "Significant investment" under the section headed "Management discussion and analysis" of this report, there were no material acquisitions or disposal of subsidiaries and affiliated companies during the year.

# Directors' Report

## EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEMES

As at 30 September 2004, the Group had 20 (2003: 54) full time employees. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employee. In addition to salaries and provident fund contribution, the Group also offers medical benefits and training programs. Share options may be granted to employees based on performance valuation in order to provide incentives and rewards.

## SPONSOR'S INTERESTS

Pursuant to the agreement dated 29 April 2002 entered into between the Company and Kingston Corporate Finance Limited ("Kingston"), Kingston had been retained to act as the Company's sponsor for the period from 14 May 2002 to 30 September 2004 in return for a monthly advisory fee. This agreement has expired since 1 October 2004.

To the best knowledge of the Company, as at 30 September 2004, neither Kingston, nor its directors or employees or associates (as defined under Note 3 of Rule 6.35 of the GEM Listing Rules) had an interest in the securities of the Company or any member of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

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

## COMPETING INTERESTS

None of the directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of the Group.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consisted of three independent non-executive directors, namely Mr. Tian He Nian, Madam Qi Mei and Mr. Tsui Wing Tak. Mr. Tian He Nian is the chairman of the audit committee. The Group's audited results for the year ended 30 September 2004 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made. Four meetings were held during the current financial year.

# Directors' Report

## BOARD PRACTICES AND PROCEDURES AND CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules regarding board practices and procedures throughout the year.

The Company has adopted a code of conduct regarding securities transactions by the directors on terms no less exacting than the required standard of dealings as set out in the Rules 5.48 to 5.67 of the GEM Listing Rules. The Company, having made specific enquiry of all the Directors, was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the directors during the year.

## AUDITORS

The financial statements for the year ended 30 September 2004 have been audited by Messrs. W.H. Tang & Partners CPA Limited who retire and, being eligible, offer themselves for re-appointment.

Messrs. Ernst & Young were the auditors of the Company for the year ended 30 September 2002 and 2003.

On behalf of the Board

**Chan Ting**

*Chairman*

Hong Kong, 6 December 2004

# Auditors' Report

## 鄧偉雄會計師事務所有限公司

Level 7, Parkview Centre,  
7 Lau Li Street,  
Causeway Bay, Hong Kong.

香港銅鑼灣琉璃街七號  
栢景中心七樓

Tel : (852) 23426130  
Fax : (852) 23426006

**W.H. TANG  
& PARTNERS  
CPA LIMITED**

### TO THE MEMBERS OF APTUS HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the financial statements on pages 23 to 64 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 Institute of Certified Public Accountants. An audit includes 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed 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. 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.

# Auditors' Report

## OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 September 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**W.H. Tang & Partners CPA Limited**

Hong Kong, 6 December 2004

**Tang Wai Hung**

Practising Certificate Number P03525



# Consolidated Income Statement

For the year ended 30 September 2004

	Notes	2004 HK\$'000	2003 HK\$'000
TURNOVER	5	<b>34,392</b>	17,154
Cost of sales		<b>(32,143)</b>	(36,990)
Gross profit (loss)		<b>2,249</b>	(19,836)
Other revenue	5	<b>4,345</b>	189
Selling and distribution costs		–	(2,088)
Administrative expenses		<b>(13,299)</b>	(12,716)
Other operating expenses		<b>(2,703)</b>	(19,342)
Loss on disposal of a jointly controlled entity	6	<b>(2,789)</b>	–
Gain on disposal of subsidiaries		<b>60</b>	–
LOSS FROM OPERATIONS	7	<b>(12,137)</b>	(53,793)
Finance costs	8	<b>(291)</b>	(14)
Share of loss of a jointly controlled entity		<b>(53)</b>	(14)
LOSS BEFORE TAXATION		<b>(12,481)</b>	(53,821)
Taxation	11	–	–
LOSS BEFORE MINORITY INTEREST		<b>(12,481)</b>	(53,821)
Minority interest		<b>(56)</b>	482
NET LOSS FOR THE YEAR	12	<b>(12,537)</b>	(53,339)
LOSS PER SHARE			
Basic	13	<b>(HK1.77 cents)</b>	(HK8.63 cents)
Diluted	13	<b>(HK1.75 cents)</b>	N/A

# Consolidated Balance Sheet

At 30 September 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	1,363	6,386
Goodwill	15	3,982	–
Long term deposit	16	–	3,400
Interest in a jointly controlled entity	18	–	2,731
		<u>5,345</u>	<u>12,517</u>
<b>CURRENT ASSETS</b>			
Accounts receivable	19	26,906	4,747
Prepayments, deposits and other receivables		278	1,164
Bank balances and cash	20	17,571	6,414
		<u>44,755</u>	<u>12,325</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	21	26,983	88
Accrued liabilities and other payables		4,714	5,845
Taxation		534	523
Convertible notes	22	–	7,535
Finance lease payables	23	14	79
		<u>32,245</u>	<u>14,070</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<u>12,510</u>	<u>(1,745)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>17,855</u>	<u>10,772</u>
<b>MINORITY INTEREST</b>		<u>(113)</u>	<u>–</u>
<b>NET ASSETS</b>		<u>17,742</u>	<u>10,772</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	24	15,468	6,183
Reserves	26	2,274	4,589
<b>SHAREHOLDERS' FUNDS</b>		<u>17,742</u>	<u>10,772</u>

The financial statements on pages 23 to 64 were approved and authorised for issue by the Board of Directors on 6 December 2004.

**CHAN TING**  
Director

**FUNG KING HIM, DANIEL**  
Director

# Balance Sheet

At 30 September 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment in subsidiaries	17	<u>4,000</u>	<u>–</u>
<b>CURRENT ASSETS</b>			
Amount due from subsidiaries	17	<u>895</u>	<u>10,997</u>
Bank balances and cash		<u>16,452</u>	<u>5,544</u>
		<u>17,347</u>	<u>16,541</u>
<b>CURRENT LIABILITIES</b>			
Accrued liabilities and other payables		<u>1,830</u>	<u>2,900</u>
Amount due to subsidiaries	17	<u>4,600</u>	<u>–</u>
Convertible notes	22	<u>–</u>	<u>7,535</u>
		<u>6,430</u>	<u>10,435</u>
<b>NET CURRENT ASSETS</b>		<u>10,917</u>	<u>6,106</u>
<b>NET ASSETS</b>		<u>14,917</u>	<u>6,106</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	24	<u>15,468</u>	<u>6,183</u>
Reserves	26	<u>(551)</u>	<u>(77)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>14,917</u>	<u>6,106</u>

**CHAN TING**  
Director

**FUNG KING HIM, DANIEL**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 30 September 2004

	<i>Notes</i>	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
Total equity at the beginning of year		<u>10,772</u>	<u>64,111</u>
Exchange differences arising from translation of financial statements of Singapore operation	26	<u>7</u>	<u>–</u>
Net gain not recognised in the Consolidated Income Statement		<u>7</u>	<u>–</u>
Net loss for the year	26	<b>(12,537)</b>	(53,339)
Issue of shares pursuant to sale and purchase agreement		<b>4,000</b>	–
Issue of shares pursuant to subscription agreement		<u>15,500</u>	<u>–</u>
		<u>6,963</u>	<u>(53,339)</u>
Total equity at the end of year		<u><b>17,742</b></u>	<u>10,772</u>

# Consolidated Cash Flow Statement

For the year ended 30 September 2004

Notes	2004 HK\$'000	2003 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	<b>(12,481)</b>	(53,821)
Adjustment for:		
Interest income	<b>(6)</b>	(8)
Finance costs	<b>291</b>	14
Share of loss of a jointly controlled entity	<b>53</b>	14
Loss on disposal of a jointly controlled entity	<b>2,789</b>	–
Gain on disposal of subsidiaries	<b>(60)</b>	–
Depreciation of property, plant and equipment	<b>2,320</b>	3,966
Impairment of property, plant and equipment	<b>2,703</b>	4,152
Loss on disposal of property, plant and equipment	–	7
Goodwill amortisation and impairment	<b>69</b>	5,789
Gain on redemption of convertible notes	<b>(4,319)</b>	–
Provision for doubtful debts	<b>619</b>	5,994
Provision for long term deposit	–	3,400
Provision for other deposits	<b>110</b>	–
Provision for inventories	–	15,958
	<hr/>	<hr/>
Operating cash flows before movements in working capital	<b>(7,912)</b>	(14,535)
Increase in amount due from a jointly controlled entity	<b>(111)</b>	(15)
Increase in inventories	–	(1,638)
Increase in accounts receivable	<b>(22,159)</b>	(2,654)
Decrease in prepayments, deposits and other receivables	<b>170</b>	3,731
Increase in accounts payable	<b>26,638</b>	82
(Decrease) increase in accrued liabilities and other payables	<b>(3,151)</b>	2,441
	<hr/>	<hr/>
Cash used in operations	<b>(6,525)</b>	(12,588)
Interest received	<b>6</b>	8
Interest paid	<b>(287)</b>	(2)
Interest element on finance lease rental payments	<b>(4)</b>	(12)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(6,810)</b>	(12,594)

# Consolidated Cash Flow Statement

For the year ended 30 September 2004

	Notes	2004 HK\$'000	2003 HK\$'000
<b>INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment		-	(212)
Proceeds from disposal of property, plant and equipment		-	118
Proceeds from disposal of subsidiaries	27c	-	-
Proceeds from disposal of a jointly controlled entity		-	-
Acquisition of a jointly controlled entity		-	(195)
Acquisition of subsidiaries	27b	<b>2,341</b>	(7,800)
Refund on long term deposit		<b>3,400</b>	-
		<hr/>	<hr/>
<b>NET CASH FROM (USED IN) INVESTING ACTIVITIES</b>		<b>5,741</b>	(8,089)
		<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>			
Issue of shares		<b>15,500</b>	-
Repayment of convertible notes		<b>(3,216)</b>	-
Proceeds from issue of a convertible note		-	5,000
Capital element of finance lease rental payments		<b>(65)</b>	(85)
		<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>		<b>12,219</b>	4,915
		<hr/>	<hr/>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>11,150</b>	(15,768)
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>		<b>6,414</b>	22,182
Effect of foreign exchange rate changes		<b>7</b>	-
		<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>17,571</b>	6,414
		<hr/>	<hr/>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Bank balances and cash		<b>17,571</b>	6,414
		<hr/>	<hr/>

# Notes to the Financial Statements

## 1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its holding company is B & B Natural Products Limited which is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of the Stock Exchange.

The principal activities 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, marketing and distribution of pharmaceutical and healthcare products and distribution of edible oil.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the Hong Kong Financial Reporting Standards ("HKFRS") – Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income taxes" ("SSAP 12 (Revised)") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The term of HKFRS is inclusive of SSAPs and Interpretations approved by HKICPA.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. Details of this revised accounting policy are set out in note 3 to the financial statements. In the absence of any specific requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this standard had no material effect on the results for the current or prior accounting periods, and accordingly, no prior period adjustment has been required.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA. They have been prepared under the historical cost convention.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 September each year. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, 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 income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

### **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



# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Joint venture companies** *(continued)*

- (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 income statement 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 income statement 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.

### **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 balances sheet as an asset and amortised on the straight-line basis over its estimated useful life. 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.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **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.

### **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.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses at the balance sheet date. 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 property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement 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 property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

The cost of leasehold improvements is depreciated using the straight-line method over the period of the respective leases. Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Furniture and fixtures	20%
Computer equipment	20%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **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 income statement 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 income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

### **Inventories**

Inventories, which comprise 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.

### **Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### **Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Exchange differences are dealt with in the income statement.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Foreign currencies** *(continued)*

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 income statements 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 Group's translation 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.

### **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 income statement.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### **Employee benefits**

#### *(a) Retirement benefits 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 income statement 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.

The employees of the Group’s subsidiaries which operate in the People’s Republic of China (the “PRC”) are required to participate in 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 income statement as they become payable in accordance with the rules of the central pension scheme.

#### *(b) Share option schemes*

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group. 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 income statement 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.

# Notes to the Financial Statements

## 4. SEGMENT INFORMATION

### Business segments

For management purposes, the Group is currently organised into the following two operations:

- a. Services provision – provision of direct marketing, product consulting and sales force management services to local and international pharmaceutical and healthcare companies; and
- b. Trading operation – marketing and distribution of pharmaceutical and healthcare products and distribution of edible oil.

These operations are the basis on which the Group reports its primary segment information. Segment information about these businesses is represented below.

	Services provision		Trading operation		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	<b>2,233</b>	1,503	<b>32,159</b>	15,651	<b>34,392</b>	17,154
Segment results	<b>(4,713)</b>	(7,750)	<b>189</b>	(36,060)	<b>(4,524)</b>	(43,810)
Unallocated income					<b>4,405</b>	189
Unallocated expenses					<b>(12,018)</b>	(10,172)
					<b>(12,137)</b>	(53,793)
Finance costs					<b>(291)</b>	(14)
Share of loss of a jointly controlled entity					<b>(53)</b>	(14)
Loss before taxation					<b>(12,481)</b>	(53,821)
Taxation					<b>-</b>	-
Loss before minority interest					<b>(12,481)</b>	(53,821)
Minority interest					<b>(56)</b>	482
Net loss for the year					<b>(12,537)</b>	(53,339)

# Notes to the Financial Statements

## 4. SEGMENT INFORMATION *(continued)*

### Business segments *(continued)*

	Services provision		Trading operation		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<b>1,670</b>	6,297	<b>27,942</b>	7,834	<b>29,612</b>	14,131
Interest in a jointly controlled entity	-	-	-	2,731	-	2,731
Unallocated assets					<b>20,488</b>	7,980
Total assets					<b>50,100</b>	24,842
Segment liabilities	<b>667</b>	1,690	<b>27,092</b>	973	<b>27,759</b>	2,663
Unallocated liabilities					<b>4,486</b>	11,407
Total liabilities					<b>32,245</b>	14,070
Other segment information:						
Depreciation and amortisation	<b>2,320</b>	1,957	-	2,058	<b>2,320</b>	4,015
Unallocated amounts					<b>69</b>	1,109
					<b>2,389</b>	5,124
Impairment losses recognised in the income statement	<b>2,703</b>	-	-	8,231	<b>2,703</b>	8,231
Unallocated amounts					-	552
					<b>2,703</b>	8,783
Capital expenditure	-	-	-	10,530	-	10,530
Unallocated amounts					-	376
					-	10,906
Other non-cash expenses	<b>729</b>	-	-	25,352	<b>729</b>	25,352



# Notes to the Financial Statements

## 4. SEGMENT INFORMATION *(continued)*

### Geographical segments

A summary of the geographical segments is set out as follows:

	Turnover	Segment	Segment	Capital
	2004	results	assets	expenditure
	HK\$'000	2004	2004	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	1,755	(1,308)	21,851	-
Hong Kong	22,812	(3,274)	307	-
South East Asia	9,825	58	27,942	-
	<u>34,392</u>	<u>(4,524)</u>	<u>50,100</u>	<u>-</u>
Unallocated income		4,405		
Unallocated expenses		<u>(12,018)</u>		
Loss from operations		<u>(12,137)</u>		

In determining the Group's geographical segments, revenue is 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 for the year ended 30 September 2003 were derived from customers based in the PRC and accordingly, no detailed analysis of the Group's geographical segments is presented.

# Notes to the Financial Statements

## 5. TURNOVER AND OTHER REVENUE

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 and other revenue is as follows:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Turnover		
Sales of goods	<b>32,159</b>	15,651
Provision of services	<b>2,233</b>	1,503
	<u><b>34,392</b></u>	<u>17,154</u>
Other revenue		
Gain on redemption of convertible notes	<b>4,319</b>	–
Interest income	<b>6</b>	8
Rental income	<b>96</b>	140
Others	<b>11</b>	43
	<u><b>4,432</b></u>	<u>191</u>
Exchange losses, net	<u><b>(87)</b></u>	<u>(2)</u>
	<u><b>4,345</b></u>	<u>189</u>

## 6. LOSS ON DISPOSAL OF A JOINTLY CONTROLLED ENTITY

The loss represented the disposal of the Group's 50.1% equity interest in Toowong International Laboratories Limited in September 2004.

# Notes to the Financial Statements

## 7. LOSS FROM OPERATIONS

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Loss from operations has been arrived at after charging:		
Staff costs (excluding directors' emoluments – note 9):		
– Wages and salaries	<b>1,605</b>	2,755
– Housing benefits	<b>409</b>	138
– Retirement benefits scheme contributions	<b>19</b>	32
	<hr/>	<hr/>
Total staff costs	<b>2,033</b>	2,925
	<hr/>	<hr/>
Cost of inventories sold	<b>31,968</b>	30,277
Cost of services provided	<b>175</b>	6,713
Auditors' remuneration	<b>193</b>	1,950
Depreciation of property, plant and equipment	<b>2,320</b>	3,966
Impairment of property, plant and equipment	<b>2,703</b>	4,152
Loss on disposal of property, plant and equipment	<b>–</b>	7
Goodwill:		
– Amortisation for the year	<b>69</b>	1,158
– Impairment arising during the year	<b>–</b>	4,631
Provision for doubtful debts	<b>619</b>	5,994
Provision for other deposits	<b>110</b>	–
Provision for long term deposit	<b>–</b>	3,400
Provision for inventories	<b>–</b>	15,958
Minimum lease payments under operating leases:		
– Land and buildings	<b>1,551</b>	1,388
– Equipment	<b>47</b>	106
	<hr/>	<hr/>

The impairment of property, plant and equipment are included in "Other operating expenses" on the face of the consolidated income statement.

# Notes to the Financial Statements

## 8. FINANCE COSTS

	The Group	
	2004 HK\$'000	2003 HK\$'000
Interest on convertible notes	137	–
Interest on short term loan	150	–
Interest on finance lease	4	12
Interest on bank overdrafts	–	2
	291	14

## 9. DIRECTORS' EMOLUMENTS

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

	The Group	
	2004 HK\$'000	2003 HK\$'000
Fees:		
Executive	4	–
Non-executive	–	31
Independent non-executive	119	30
	123	61
Other emoluments:		
Basic salaries, housing benefits, other allowances and benefits in kind	1,507	1,607
Contributions to retirement benefits scheme	25	28
	1,532	1,635
	1,655	1,696

The executive directors and non-executive directors, Mr. Chan Ting, Mr. Fung King Him, Daniel, Mr. Chen Vee Li, Felix, Mr. Lee Chan Wah, Mr. Wong Kok Sun, Mr. Chen Si Te, Frank, Dr. Wong Kwok Yiu, Chris and Mr. Ma Wai Hung, Vincent, received individual emoluments of approximately HK\$103,000 (2003: Nil), HK\$33,000 (2003: Nil), HK\$32,000 (2003: HK\$318,000), HK\$636,000 (2003: HK\$528,000), HK\$732,000 (2003: HK\$710,000), Nil (2003: Nil), Nil (2003: Nil) and Nil (2003: HK\$110,000), respectively for the year ended 30 September 2004.

# Notes to the Financial Statements

## 9. DIRECTORS' EMOLUMENTS *(continued)*

The Independent non-executive directors, Mr. Tian He Nian, Madam Qi Mei, Mr. Tsui Wing Tak, Dr. Yau Yat Yin and Mr. Ma Ching Nam, received individual emoluments of approximately Nil (2003: Nil), HK\$2,000 (2003: Nil), HK\$2,000 (2003: Nil), Nil (2003: Nil) and HK\$115,000 (2003: HK\$30,000), respectively for the year ended 30 September 2004.

During the year ended 30 September 2004, the Group received written consent from certain directors of the Company to waive emoluments of approximately HK\$784,000 (2003: HK\$655,000) payable to them. Save as the aforesaid, there was no arrangement under which the directors waived or agreed to waive any of their emoluments 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 (2003: Nil).

## 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2003: three) directors, details of whose emoluments are set out in note 9 above. Details of the aggregate emoluments of the remaining three (2003: two) non-directors, highest paid employees for the year were as follows:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Basic salaries, housing benefits, other allowances and benefits in kind	<b>629</b>	1,235
Contributions to retirement benefits scheme	<b>11</b>	20
	<b>640</b>	1,255

The emoluments 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 join or upon joining the Group, or as compensation for loss of office (2003: Nil).

# Notes to the Financial Statements

## 11. TAXATION

No provision for profits tax has been made as the Group has no assessable profits for the year.

Reconciliation between accounting loss and tax charge at applicable tax rate is as follows:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Loss before taxation	<b>(12,481)</b>	(53,821)
Tax at Hong Kong Profits Tax rate of 17.5% (2003: 17.5%)	<b>(2,184)</b>	(9,419)
Tax effect of expenses that are not deductible for tax purposes	<b>3,131</b>	14,463
Tax effect of unrecognised general provision for doubtful debts	<b>(1,184)</b>	(22,446)
Tax effect of income that is not taxable for tax purposes	<b>(1,185)</b>	(7)
Tax effect of tax losses not recognised	<b>1,556</b>	17,438
Tax effect of utilisation of tax losses previously not recognised	<b>(122)</b>	–
Tax effect of unrecognised accelerated tax allowances	<b>(17)</b>	(29)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<b>5</b>	–
Tax expense	<b>–</b>	–

The components of unrecognised deductible (taxable) temporary differences are as follows:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Deductible temporary differences		
Unutilised tax losses	<b>7,560</b>	8,503
Taxable temporary differences		
Accelerated tax allowances	<b>(623)</b>	(4,709)
	<b>6,937</b>	3,794

# Notes to the Financial Statements

## 11. TAXATION *(continued)*

At the balance sheet date, the Group have unused tax losses of approximately HK\$7,560,000 (2003: HK\$8,503,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits streams in the subsidiaries. Deductible temporary differences have not been recognised in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Such tax losses have no expiry date.

## 12. NET LOSS FOR THE YEAR

The net loss for the year ended 30 September 2004 dealt with in the financial statements of the Company, was approximately HK\$10,689,000 (2003: HK\$58,693,000) *(note 26(b))*.

## 13. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the following data:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Loss for the purposes of basic loss per share	<b>12,537</b>	53,339
<b>Number of shares</b>		
	<b>'000</b>	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>709,595</b>	618,260
Effect of dilutive potential ordinary shares:		
Share options	<b>7,550</b>	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>717,145</b>	618,260

# Notes to the Financial Statements

## 14. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold improvements</b>	<b>Furniture and fixtures</b>	<b>Computer equipment</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>THE GROUP</b>				
COST				
At 1 October 2003 and 30 September 2004	2,119	1,421	15,458	18,998
DEPRECIATION				
At 1 October 2003	2,119	638	9,855	12,612
Provided for the year	–	259	2,061	2,320
Impairment loss	–	377	2,326	2,703
<b>At 30 September 2004</b>	<b>2,119</b>	<b>1,274</b>	<b>14,242</b>	<b>17,635</b>
NET BOOK VALUES				
<b>At 30 September 2004</b>	<b>–</b>	<b>147</b>	<b>1,216</b>	<b>1,363</b>
At 30 September 2003	–	783	5,603	6,386

The net book value of the Group's property, plant and equipment held under finance leases included in the total amount of computer equipment at 30 September 2004, amounted to approximately HK\$96,000 (2003: HK\$131,000).

## 15. GOODWILL

	<i>HK\$'000</i>
<b>THE GROUP</b>	
COST	
Addition during the year and at 30 September 2004	4,051
AMORTISATION	
Provided for the year and at 30 September 2004	(69)
CARRYING VALUES	
<b>At 30 September 2004</b>	<b>3,982</b>

Goodwill is amortised using the straight-line method over its estimated useful life of 5 years.



# Notes to the Financial Statements

## 16. LONG TERM DEPOSIT

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Long term deposit	<b>3,400</b>	6,800
Refund during the year	<b>(3,400)</b>	–
Provision for impairment	–	(3,400)
	<u>–</u>	<u>(3,400)</u>
	<b>–</b>	<b>3,400</b>

In 2002, HK\$6,800,000 was paid by the Group as consideration for the acquisition of a 10-year exclusive distribution right for five pharmaceutical products in the PRC and was classified as a long term deposit. A provision for impairment of HK\$3,400,000 was made in respect of this deposit in the prior year. In August 2004, HK\$3,400,000 was refunded to the Group as a full and final settlement of this deposit.

## 17. INTERESTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Unlisted shares, at cost	<b>4,000</b>	15,926
Amount due from subsidiaries	<b>895</b>	47,483
Amount due to subsidiaries	<b>(4,600)</b>	–
Provision for impairment	–	(52,412)
	<u>295</u>	<u>10,997</u>

The amount due from subsidiaries included in the Company's current assets are unsecured, interest-free and have no fixed repayment terms. The amount due to subsidiaries included in the Company's current liabilities are unsecured, interest-free and have no fixed repayment terms.

# Notes to the Financial Statements

## 17. INTERESTS IN SUBSIDIARIES *(continued)*

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, result 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		Principal activities
			Direct	Indirect	
Aptus Group Limited	British Virgin Islands	Ordinary US\$10,000	100%	–	Investment holding
Albatross Overseas Limited	British Virgin Islands/PRC	Ordinary US\$1,000	–	100%	Provision of product consulting services
Aptus Medical Group Limited	Hong Kong	Ordinary HK\$0.02 Non-voting deferred HK\$117,933	–	100%	Investment holding and provision of product consulting services
Peaceford International Limited	British Virgin Islands/PRC	Ordinary US\$1,000	–	100%	Investment holding, provision of product consulting and sales force management services and marketing and distribution of pharmaceutical products
Top Entrepreneur Profits Limited	British Virgin Islands	Ordinary US\$200	75%	–	Investment holding
Hsing Long Trading Co. Pte. Ltd.	Singapore	Ordinary SGD100,000	–	70.31%	Distribution of natural supplementary foods

# Notes to the Financial Statements

## 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
			Direct	Indirect	
上海問博信息技術 有限公司 ("SHAL") Note	PRC	US\$300,000	-	80%	Provision of direct marketing services

Note: SHAL is an equity joint venture company established by Aptus Medical Group Limited ("AMGL") and a partner in the PRC for a period of 15 years commencing from the date of issuance of its business licence on 13 June 2000. 北京問博網管理顧問有限公司 ("BWML") is an equity joint venture company established by AMGL and a partner in the PRC for a period of 15 years commencing from the date of issuance of its business licence on 13 June 2000. On 1 December 2003, BWML planned to merge with SHAL. As at 30 September 2004, the arrangement had been completed.

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

## 18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group	
	2004 HK\$'000	2003 HK\$'000
Share of net liabilities	-	(14)
Goodwill on acquisition	-	2,730
	<hr/>	<hr/>
	-	2,716
Amount due from a jointly controlled entity	-	15
	<hr/>	<hr/>
	-	2,731
	<hr/>	<hr/>

Pursuant to a sale and purchase agreement dated 28 July 2003 entered into between the Group and Westport International Group Co., Limited, an independent third party, the Group acquired 50.1% of the issued share capital of Toowong International Laboratories Limited (the "Toowong").

On 30 September 2004, the Group disposed 50.1% equity interest of Toowong to Unicorn Century Limited, an independent third party, for a consideration of HK\$1. In the opinion of the directors, it is unlikely that the Group would further develop the business of Toowong.

# Notes to the Financial Statements

## 19. 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 dates, based on the date of goods delivered and services rendered, is as follows:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>26,906</b>	240
91 – 180 days	–	73
Over 180 days	–	4,434
	<b>26,906</b>	<b>4,747</b>

Subsequent to the balance sheet date, accounts receivable amounting to approximately HK\$26,906,000 (2003: HK\$4,747,000) as at 30 September 2004 have been settled by the Group's customers.

## 20. BANK BALANCES AND CASH

At the balance sheet date, the bank balances and cash of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$75,000 (2003: HK\$323,000). The RMB is not freely convertible into other currencies, however, under the PRC'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.

# Notes to the Financial Statements

## 21. ACCOUNTS PAYABLE

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Trade payables	<b>22,678</b>	88
Bills payable	<b>4,305</b>	–
	<u><b>26,983</b></u>	<u>88</u>

An aged analysis of the Group's accounts payable at the balance sheet dates, based on the date of goods and services received, is as follows:

	<b>The Group</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>26,859</b>	88
91-180 days	<b>124</b>	–
	<u><b>26,983</b></u>	<u>88</u>

## 22. CONVERTIBLE NOTES

	<i>Notes</i>	<b>The Group</b>	
		<b>2004</b>	2003
		<b>HK\$'000</b>	HK\$'000
Westport Convertible Note	<i>(i)</i>	–	2,535
Interoverseas Convertible Note	<i>(ii)</i>	–	5,000
		<u>–</u>	<u>7,535</u>

# Notes to the Financial Statements

## 22. CONVERTIBLE NOTES *(continued)*

Notes:

- (i) In 2003, the Company issued a convertible note of US\$325,000 (equivalent to approximately HK\$2,535,000) to Westport International Group Co., Limited (the "Westport Convertible Note") in respect of the acquisition of Toowong. The Westport Convertible Note was issued at 100% of its principal amount, bore interest at a rate of 3% per annum. On 22 March 2004, Westport International Group Co., Limited (the "Westport") issued a Deed of Release to the Group pursuant to which, Westport agreed to accept the sum of US\$220,000 (equivalent to approximately HK\$1,716,000) as a full and final settlement of the outstanding principal of HK\$2,535,000 together with interest. Upon receipt of US\$220,000, Westport agreed and undertook that it would have no further rights, interests or claims of whatever nature in relation to the Westport Convertible Note.
- (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 was issued at 100% of its principal amount, bore interest at a rate of 3% per annum. On 26 August 2004, Interoverseas issued a Deed of Release to the Group pursuant to which, Interoverseas agreed to accept the sum of HK\$1,500,000 as a full and final settlement of the outstanding principal of HK\$5,000,000 together with interest. Upon receipt of HK\$1,500,000, Interoverseas agreed and undertook that it would have no further rights, interests or claims of whatever nature in relation to the Interoverseas Convertible Note.

## 23. FINANCE LEASE PAYABLES

As at 30 September 2004, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP				
Amounts payable:				
Within one year	<u>15</u>	<u>83</u>	<u>14</u>	<u>79</u>
Total minimum finance lease payments	<b>15</b>	83	<b>14</b>	79
Future finance charges	<u>(1)</u>	<u>(4)</u>		
Total net finance lease payables classified as current liabilities	<b><u>14</u></b>	<b><u>79</u></b>		

# Notes to the Financial Statements

## 24. SHARE CAPITAL

	<i>Notes</i>	<b>Number of shares</b>	<i>HK\$'000</i>
<i>Authorised:</i>			
At 30 September 2003 and 2004, shares of HK\$0.01 each		<u>20,000,000,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>			
At 1 October 2002 and 2003, shares of HK\$0.01 each		618,260,000	6,183
Issue of shares pursuant to sale and purchase agreement	(i)	190,476,190	1,904
Issue of shares pursuant to subscription agreement	(ii)	<u>738,095,238</u>	<u>7,381</u>
At 30 September 2004		<u>1,546,831,428</u>	<u>15,468</u>

- (i) On 26 August 2004, the Company issued 190,476,190 ordinary shares of HK\$0.01 each for consideration of HK\$0.021 per share. These new shares were issued under the resolution granted to the directors at the extraordinary general meeting of the Company held on 26 July 2004 and rank pari passu with the existing shares in all respects. The proceeds were used to finance the Group's acquisition of subsidiaries. The Group entered into a sale and purchase agreement dated 23 March 2004 to acquire 75% equity interest in Top Entrepreneur Profits Limited and its subsidiaries from Precise Result Profits Limited which is a wholly owned subsidiary of B & B Natural Products Limited.
- (ii) On 26 August 2004, 738,095,238 ordinary shares of HK\$0.01 each were issued to Precise Result Profits Limited at a price of HK\$0.021 per share, pursuant to the subscription agreement dated 23 March 2004.

# Notes to the Financial Statements

## 25. SHARE OPTION SCHEMES

The Company operates share option schemes for the purpose of providing incentives and rewards to the eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group.

### (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. As at 30 September 2004, all of these 47,500,000 share options were cancelled. During the year ended 30 September 2004 and up to the date of approval of these financial statements, no other share option has been granted or exercised under the Pre-IPO Scheme.



# Notes to the Financial Statements

## 25. SHARE OPTION SCHEMES (continued)

### (a) Pre-IPO Share Option Scheme (continued)

The movements in the Company's Pre-IPO Scheme are as follows:

2004 Name or Category of participants	Date of grant	Exercise price HK\$	Outstanding at 1/10/2003	Cancelled	Outstanding at 30/9/2004	Share option scheme	Exercise period of share options
				during the year			
<b>Directors and chief executive</b>							
Chen Vee Li, Felix *	24/4/2002	0.50	18,000,000	(18,000,000)	–	Pre-IPO	N/A
Ma Wai Hung, Vincent #	24/4/2002	0.50	18,000,000	(18,000,000)	–	Pre-IPO	N/A
Wong Kok Sun #	24/4/2002	0.10	1,250,000	(1,250,000)	–	Pre-IPO	N/A
Lee Chan Wah *	24/4/2002	0.10	500,000	(500,000)	–	Pre-IPO	N/A
Chen Si Te, Frank *	24/4/2002	0.10	250,000	(250,000)	–	Pre-IPO	N/A
Alex Chow *	24/4/2002	0.10	9,000,000	(9,000,000)	–	Pre-IPO	N/A
			<u>47,000,000</u>	<u>(47,000,000)</u>	<u>–</u>		
<b>Other employees</b>							
In aggregate	24/4/2002	0.10	500,000	(500,000)	–	Pre-IPO	N/A
			<u>47,500,000</u>	<u>(47,500,000)</u>	<u>–</u>		

\* The directors and chief executive resigned on 27 August 2004.

# The directors resigned on 30 September 2004.

2003 Name or Category of participants	Date of grant	Exercise price HK\$	Outstanding at 1/10/2002	Granted	Outstanding at 30/9/2003	Share option scheme	Exercise period of share options
				during the year			
<b>Directors and chief executive</b>							
Chen Vee Li, Felix *	24/4/2002	0.50	18,000,000	–	18,000,000	Pre-IPO	N/A
Ma Wai Hung, Vincent #	24/4/2002	0.50	18,000,000	–	18,000,000	Pre-IPO	N/A
Wong Kok Sun #	24/4/2002	0.10	1,250,000	–	1,250,000	Pre-IPO	N/A
Lee Chan Wah *	24/4/2002	0.10	500,000	–	500,000	Pre-IPO	N/A
Chen Si Te, Frank *	24/4/2002	0.10	250,000	–	250,000	Pre-IPO	N/A
Alex Chow *	24/4/2002	0.10	9,000,000	–	9,000,000	Pre-IPO	N/A
			<u>47,000,000</u>	<u>–</u>	<u>47,000,000</u>		
<b>Other employees</b>							
In aggregate	24/4/2002	0.10	500,000	–	500,000	Pre-IPO	N/A
			<u>47,500,000</u>	<u>–</u>	<u>47,500,000</u>		

\* The directors and chief executive resigned on 27 August 2004.

# The directors resigned on 30 September 2004.

# Notes to the Financial Statements

## 25. SHARE OPTION SCHEMES *(continued)*

### **(b) Post-IPO Share Option Scheme**

Pursuant to the Post-IPO share option scheme (the "Post-IPO Scheme") adopted by the Company on 13 May 2002, the board of directors may, at their discretion, grant Post-IPO share options (the "Post-IPO Scheme Options") to eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group. The Post-IPO Scheme became effective on 14 May 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 as at the date of the approval of the scheme or the date of the general meeting for refreshing the 10% limit under the scheme. 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.

During the year, 60,000,000 Post-IPO Scheme Options were granted to certain eligible participants, which entitled them to subscribe for a total of 60,000,000 ordinary shares of the Company. During the year ended 30 September 2004 and up to the date of approval of these financial statements, no Post-IPO Scheme Options have been exercised.

# Notes to the Financial Statements

## 25. SHARE OPTION SCHEMES *(continued)*

### (b) Post-IPO Share Option Scheme *(continued)*

Details of movements in the Company's Post-IPO Scheme held by employees (including directors) are as follows:

2004				Granted	Cancelled		
Directors and other eligible participants:	Date of grant	Exercise price** HK\$	Outstanding at 1/10/2003	during the year	during the year	Outstanding at 30/9/2004	Exercise period of share options
<b>Directors:</b>							
Chen Si Te, Frank *	11/7/2002	0.612	400,000	-	(400,000)	-	N/A
Wong Kwok Yiu, Chris *	11/7/2002	0.612	400,000	-	(400,000)	-	N/A
Yau Yat Yin *	11/7/2002	0.612	400,000	-	(400,000)	-	N/A
Ma Ching Nam *	11/7/2002	0.612	400,000	-	(400,000)	-	N/A
			<u>1,600,000</u>	<u>-</u>	<u>(1,600,000)</u>	<u>-</u>	
<b>Other eligible participants:</b>							
	10/9/2004	0.08	-	40,750,000	-	40,750,000	10/9/2004 to 9/9/2009
	30/9/2004	0.147	-	19,250,000	-	19,250,000	30/9/2004 to 29/9/2009
	11/7/2002	0.612	<u>6,850,000</u>	<u>-</u>	<u>(6,850,000)</u>	<u>-</u>	N/A
			<u>8,450,000</u>	<u>60,000,000</u>	<u>(8,450,000)</u>	<u>60,000,000</u>	

\* *The directors resigned on 27 August 2004.*

\*\* *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 exercise in full of the Post-IPO Scheme Options would, under the present capital structure of the Company, result in the issue of 60,000,000 additional ordinary shares of the Company at additional share capital of HK\$600,000 and share premium of HK\$5,489,750 (before issue expenses).

At 30 September 2004, the number of shares in respect of which option had been granted and remained outstanding under the scheme was 3.9% (2003: 9.0%) of the shares of the Company in issue at that date.

Options granted must be taken up within a period of 7 days from the date of grant. Total consideration received during the year from eligible participants for taking up the options granted amounted to HK\$4 (2003: Nil).

# Notes to the Financial Statements

## 25. SHARE OPTION SCHEMES *(continued)*

### (b) Post-IPO Share Option Scheme *(continued)*

The closing price of the Company's shares on 10 September 2004 and 30 September 2004, the dates of grant of the share options, were HK\$0.08 and HK\$0.145, respectively.

2003				Granted	Cancelled		
Directors and other eligible participants:	Date of grant	Exercise price HK\$	Outstanding at 1/10/2002	during the year	during the year	Outstanding at 30/9/2003	Exercise period of share options
<b>Directors:</b>							
Chen Si Te, Frank *	11/7/2002	0.612	400,000	-	-	400,000	N/A
Wong Kwok Yiu, Chris *	11/7/2002	0.612	400,000	-	-	400,000	N/A
Yau Yat Yin *	11/7/2002	0.612	400,000	-	-	400,000	N/A
Ma Ching Nam *	11/7/2002	0.612	400,000	-	-	400,000	N/A
			<u>1,600,000</u>	<u>-</u>	<u>-</u>	<u>1,600,000</u>	
<b>Other eligible participants:</b>							
	11/7/2002	0.612	<u>6,850,000</u>	<u>-</u>	<u>-</u>	<u>6,850,000</u>	N/A
			<u>8,450,000</u>	<u>-</u>	<u>-</u>	<u>8,450,000</u>	

\* *The directors resigned on 27 August 2004.*

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the 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 lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

### (c) Other share option scheme

As set out in note 22(ii), an option was granted to Interoverseas by the Company that, conditional upon conversion of the Interoverseas Convertible Note in full by Interoverseas, Interoverseas had 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.

# Notes to the Financial Statements

## 25. SHARE OPTION SCHEMES *(continued)*

### (c) Other share option scheme *(continued)*

On 26 August 2004, Interoverseas issued a Deed of Release to the Group pursuant to which, Interoverseas agreed to accept the sum of HK\$1,500,000 as a full and final settlement of the outstanding principal of HK\$5,000,000 together with interest. Upon receipt of HK\$1,500,000, Interoverseas agreed and undertook that it would have no further rights, interests or claims of whatever nature in relation to the Interoverseas Convertible Note.

## 26. RESERVES

### (a) The Group

	Translation reserve <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve* <i>HK\$'000</i>	Accu- mulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2002	–	44,960	17,240	(4,272)	57,928
Net loss for the year	–	–	–	(53,339)	(53,339)
At 30 September 2003 and 1 October 2003	–	44,960	17,240	(57,611)	4,589
Issue of shares pursuant to sale and purchase agreement	–	2,096	–	–	2,096
Issue of shares pursuant to subscription agreement	–	8,119	–	–	8,119
Exchange differences arising from translation of financial statements of Singapore operation	7	–	–	–	7
Net loss for the year	–	–	–	(12,537)	(12,537)
<b>At 30 September 2004</b>	<b>7</b>	<b>55,175</b>	<b>17,240</b>	<b>(70,148)</b>	<b>2,274</b>
Reserves retained by:					
Company and subsidiaries	7	55,175	17,240	(70,148)	2,274
A jointly controlled entity	–	–	–	–	–
<b>At 30 September 2004</b>	<b>7</b>	<b>55,175</b>	<b>17,240</b>	<b>(70,148)</b>	<b>2,274</b>
Company and subsidiaries	–	44,960	17,240	(57,597)	4,603
A jointly controlled entity	–	–	–	(14)	(14)
At 30 September 2003	–	44,960	17,240	(57,611)	4,589

# Notes to the Financial Statements

## 26. RESERVES (continued)

### (a) The Group (continued)

\* The capital reserve of the Group 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 on 27 February 2002, over the nominal value of the Company's shares issued in exchange therefor.

### (b) The Company

	Share premium account <i>HK\$'000</i>	Capital reserve* <i>HK\$'000</i>	Accu- mulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 2002	44,960	15,826	(2,170)	58,616
Net loss for the year	—	—	(58,693)	(58,693)
At 30 September 2003 and 1 October 2003	44,960	15,826	(60,863)	(77)
Issue of shares pursuant to sale and purchase agreement	2,096	—	—	2,096
Issue of shares pursuant to subscription agreement	8,119	—	—	8,119
Net loss for the year	—	—	(10,689)	(10,689)
<b>At 30 September 2004</b>	<b>55,175</b>	<b>15,826</b>	<b>(71,552)</b>	<b>(551)</b>

\* The capital reserve of the Company represents the excess of the combined net assets of the subsidiaries acquired under the Group Reorganisation on 27 February 2002, over the nominal value of the Company's shares issued in exchange therefor.

## 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

### (a) Major non-cash transactions

As set out in notes 17 and 24 to the financial statements, the Group issued 190,476,190 ordinary shares of HK\$0.01 each for consideration of HK\$0.021 per share, amounting to HK\$4,000,000 in respect of the acquisition of Top Entrepreneur Profits Limited and its subsidiaries during the year, which did not result in any cash flow.

# Notes to the Financial Statements

## 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

### (b) Acquisition of subsidiaries

On 26 August 2004, the Company directly acquired 75% of the issued share capital of Top Entrepreneur Profits Limited and indirectly acquired 75%, 56.25% and 70.31% of the issued share capital of B & B Natural Products (BVI) Limited, Rapid Progress Profits Limited and Hsing Long Trading Co. Pte. Ltd., respectively for a total consideration of HK\$4,000,000. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arose as a result of the acquisition was approximately HK\$3,948,000.

	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
NET ASSETS ACQUIRED		
Goodwill	<b>103</b>	–
Inventories	–	2,011
Prepayments, deposits and other receivables	<b>13</b>	–
Bank balances and cash	<b>2,341</b>	–
Accounts payable	<b>(257)</b>	–
Accrued liabilities and other payables	<b>(2,080)</b>	–
Taxation	<b>(11)</b>	–
Shareholder's loan	–	(1,899)
Minority interest	<b>(57)</b>	–
	<b>52</b>	112
Shareholder's loan waived	–	1,899
Goodwill on acquisition	<b>3,948</b>	5,789
Total consideration	<b>4,000</b>	7,800
SATISFIED BY		
Share allotted	<b>4,000</b>	–
Cash	–	7,800
	<b>4,000</b>	7,800
Net cash inflow (outflow) arising on acquisition:		
Cash consideration	–	(7,800)
Bank balances and cash acquired	<b>2,341</b>	–
Net inflow (outflow) of cash and cash equivalents in respect of the acquisition of subsidiaries	<b>2,341</b>	(7,800)

The subsidiaries acquired during the year contributed approximately HK\$32,159,000 to the Group's consolidated turnover and a profit of approximately HK\$189,000 to the Group's loss from operations between the date of acquisition and the balance sheet date.

# Notes to the Financial Statements

## 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

### (c) Disposal of subsidiaries

On 30 September 2004, the Group disposed 100% and 100% of the issued share capital of Splendich Investment Company Limited and Lucky Mountain Group Limited, respectively for a total sales proceeds of HK\$1 which generated a gain on disposal of subsidiaries, amounting to approximately HK\$60,000.

	<b>2004</b> <b>HK\$'000</b>	2003 <i>HK\$'000</i>
NET LIABILITIES DISPOSED OF		
Accrued liabilities and other payables	<b>(60)</b>	–
Gain on disposal of subsidiaries	<b>60</b>	–
	<hr/>	<hr/>
Cash consideration	–	–
Bank balances and cash disposed of	–	–
	<hr/>	<hr/>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<b>–</b>	–
	<hr/>	<hr/>

The subsidiaries did not have a significant contribution to the Group's results or cash flows for the year.

## 28. BANKING FACILITIES

As at 30 September 2004, the Group's banking facilities which consisted mainly of facilities on letter of credit, amounting to HK\$70,200,000 were secured by an unconditional and irrevocable corporate guarantee.

## 29. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

At 30 September 2004, the Group had no significant future minimum lease receivables under non-cancellable operating leases (2003: HK\$282,000).

At 30 September 2004, the Company had no significant future minimum lease receivables under non-cancellable operating leases (2003: Nil).

### (b) As lessee

At 30 September 2004, the Group had no significant future minimum lease payments under non-cancellable operating leases (2003: HK\$1,261,000).

At 30 September 2004, the Company had no significant future minimum lease payments under non-cancellable operating leases (2003: Nil).



# Notes to the Financial Statements

## 30. CAPITAL COMMITMENTS

At 30 September 2004, neither the Group, nor the Company had any significant capital commitments (2003: Nil).

## 31. CONTINGENT LIABILITIES

At 30 September 2004, neither the Group, nor the Company had any significant contingent liabilities (2003: Nil).

## 32. RETIREMENT BENEFITS SCHEME

With the introduction of Mandatory Provident Fund Scheme (the "MPF Scheme") in December 2000 in Hong Kong, the Group has arranged its employees in Hong Kong to join the MPF Scheme. The retirement benefits scheme contributions charged to the income statements represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

The total cost charged to the income statements of approximately HK\$44,000 (2003: HK\$60,000) represents contributions payable to the MPF Scheme in respect of the current accounting year.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

The employees employed in the Singapore subsidiary are members of the Central Provident Fund Scheme. The Singapore subsidiary is required to contribute pension, based on a certain percentage of their payroll, to the Central Provident Fund Scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

## 33. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The Group had no significant provision for long service payments at 30 September 2004 (2003: Nil).

# Notes to the Financial Statements

## 34. EVENTS AFTER THE BALANCE SHEET DATE

On 13 October 2004, the Company adopted a share award scheme for employees and consultants, excluding executive directors and chief executive, of the Group for the purpose of recognising the contributions of certain employees and consultants 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 incentive to these persons to continue to contribute to the Group's long term success and prosperity. No shares were granted under the share award scheme since its adoption on 13 October 2004 and up to the date of this report.

# Financial Summary

## RESULTS

	For the year ended 30 September				
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Turnover	<b>34,392</b>	17,154	20,517	10,595	2,581
Cost of sales	<b>(32,143)</b>	(36,990)	(12,660)	(3,435)	(565)
Gross profit (loss)	<b>2,249</b>	(19,836)	7,857	7,160	2,016
Other revenue	<b>4,345</b>	189	170	115	62
Selling and distribution costs	<b>-</b>	(2,088)	(1,609)	(772)	(327)
Administrative expenses	<b>(13,299)</b>	(12,716)	(9,581)	(6,031)	(2,909)
Other operating expenses	<b>(2,703)</b>	(19,342)	-	-	-
Loss on disposal of a jointly controlled entity	<b>(2,789)</b>	-	-	-	-
Gain on disposal of subsidiaries	<b>60</b>	-	-	-	-
(Loss) profit from operations	<b>(12,137)</b>	(53,793)	(3,163)	472	(1,158)
Finance costs	<b>(291)</b>	(14)	-	-	-
Share of loss of a jointly controlled entity	<b>(53)</b>	(14)	-	-	-
(Loss) profit before taxation	<b>(12,481)</b>	(53,821)	(3,163)	472	(1,158)
Taxation	<b>-</b>	-	(185)	(338)	-
(Loss) profit before minority interest	<b>(12,481)</b>	(53,821)	(3,348)	134	(1,158)
Minority interest	<b>(56)</b>	482	161	75	29
Net (loss) profit for the year	<b>(12,537)</b>	(53,339)	(3,187)	209	(1,129)

# Financial Summary

## ASSETS AND LIABILITIES

	<b>At 30 September</b>				
	<b>2004</b>	2003	2002	2001	2000
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	<b>50,100</b>	24,842	71,526	19,025	21,826
Total liabilities	<b>(32,245)</b>	(14,070)	(6,933)	(2,127)	(5,062)
Minority interest	<b>(113)</b>	–	(482)	(643)	(718)
Shareholders' funds	<b>17,742</b>	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 2000 and 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 2003 and 2004 are those set out on page 23 of the financial statements.
- (2) The summary of combined assets, liabilities and minority interest 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 interest of the Group as at 30 September 2003 and 2004 are those set out on page 24 of the financial statements.