APTUS

# APTUS HOLDINGS LIMITED

# 問博控股有限公司

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

**(Stock Code: 8212)**

## COMPLETION OF THE TRANSACTIONS REGARDING (1) THE POSSIBLE ACQUISITION OF 75% EQUITY INTERESTS IN TOP ENTREPRENEUR PROFITS LIMITED FROM A SUBSIDIARY OF B & B NATURAL PRODUCTS LIMITED; AND (2) SUBSCRIPTION OF NEW SHARES BY A SUBSIDIARY OF B & B NATURAL PRODUCTS LIMITED;

## CLARIFICATION OF THE FINANCIAL INFORMATION IN THE GROUP'S RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2003;

## REVIEW OF INTERNAL CONTROL SYSTEM;

## AND

## RESIGNATION AND APPOINTMENT OF DIRECTORS AND CHANGE OF THE AUTHORISED REPRESENTATIVES, QUALIFIED ACCOUNTANT, COMPANY SECRETARY, COMPLIANCE OFFICER AND AUDIT COMMITTEE MEMBERS

**COMPLETION OF THE TRANSACTIONS**

The Board is pleased to announce that the Transactions were duly completed on 26 August 2004. Immediately following completion of the Transactions, a subsidiary of B & B holds 928,571,428 Shares, representing approximately 60.02% of the enlarged issued share capital of the Company.

Details of the Transactions have been set out in the announcement dated 23 April 2004 and the circular dated 9 July 2004 issued jointly by the Company and B & B.

**DELAY IN PUBLICATION AND DESPATCH OF ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2003 AND QUARTERLY REPORT FOR THE THREE MONTHS PERIOD ENDED 31 DECEMBER 2003**

The publication of the Annual Results and despatch of the Annual Report were delayed to 19 March 2004 and 23 March 2004 respectively and the publication of the Quarterly Results and despatch of the Quarterly Report were delayed to 19 March 2004 and 23 March 2004 respectively.

The delay in publication of the Annual Results and despatch of the Annual Report constitutes breaches of Rules 18.03, 18.48A and 18.49 of the GEM Listing Rules and the delay in the publication of the Quarterly Results and despatch of the Quarterly Report constitutes breaches of Rules 18.66 and 18.79 of the GEM Listing Rules on the part of the Company.

The Stock Exchange has indicated that it reserves the right to take actions against the Company and its directors in relation to the aforesaid breaches.

## CLARIFICATION OF THE FINANCIAL INFORMATION IN THE GROUP'S RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2003 AND REVIEW OF INTERNAL CONTROL OF THE GROUP

On 19 March 2004, the Company released the audited consolidated financial statements of the Group for the year ended 30 September 2003. Ernst & Young, the Company's auditors issued a disclaimer opinion on the Company's financial statements on the scope limitation regarding acquisition of subsidiary, LMGL and scope limitation regarding purchases and corresponding payments, accounts payable, inventories and provision made.

The Company would like to clarify certain financial information in relation to the Auditors' disclaimer opinion in the section headed "Clarification of the financial information in the Group's results announcement for the year ended 30 September 2003" below.

In view of above, the Group has adopted several measures to prevent the recurrence of the above events.

The Group has appointed an independent professional firm of accountants, Grant Thornton, to conduct a review on the internal control of the Group. Please refer to the details in the paragraph headed "Review of the internal control of the Group" herein.

The Group would also like to clarify that as discussed with the Auditors, there is a typographical error appearing in the last sentence of note 28(c) of the section headed "Notes to financial statements" on page 62 of the Annual Report. The sentence reads "Since its acquisition, LMGL contributed HK$2,011,000 to the Group's turnover and HK$2,011,000 to the consolidated loss after tax and before minority interests for the year ended 30 September 2003". The sentence should actually be stated as "Since its acquisition, LMGL contributed HK$2,011,000 to the Group's turnover and HK$5,749,000 to the consolidated loss after tax and before minority interests for the year ended 30 September 2003". Apart from the foregoing typographical error in note 28(c), the financial statements, including the profit and loss account, the balance sheets, the statement of changes in equity, the cash flow statement and all other footnotes to the financial statements, remain unaffected.

As announced in the Interim Results and Third Quarterly Results of the Company as at 31 March 2004 and 30 June 2004 respectively, the turnover of the Group decreased by 96.5% and 96.7% in the Interim Results and Third Quarterly Results respectively as compared with the last corresponding periods. The Group also recorded nil turnover for the three months ended 30 June 2004. The loss attributable to shareholders was approximately HK$8.1 million for the nine months ended 30 June 2004 as compared to approximately HK$25.3 million, representing a decrease of approximately 68% over the corresponding period last year.

The Auditors have also included in their opinion an emphasis that the preparation of the financial statements for the year ended 30 September 2003 was being prepared on a going concern basis. Their opinion was not qualified in this respect.

In order to improve the profitability and liquidity problem of the Group, the Company has entered into a sale and purchase agreement to acquire 75% equity interest in Top Entrepreneur Profits Limited ("TEP") from Precise Result Profits Limited ("PRP") and a conditional subscription agreement to allot and issue 738,095,238 new Shares to PRP for a consideration of HK$15.5 million on 23 March 2004 and the Whitewash Waiver has been applied for and granted. The details of the Transactions are disclosed in the circular jointly issued by the Company and B & B on 9 July 2004. The extraordinary general meeting of the Company was held on 26 July 2004 and all the resolutions in relation to the Transactions and the Whitewash Waiver were duly approved by the shareholders of the Company. On 26 August 2004, the Transactions were duly completed.

## RESIGNATION AND APPOINTMENT OF DIRECTORS AND CHANGE OF THE AUTHORISED REPRESENTATIVES, QUALIFIED ACCOUNTANT, COMPANY SECRETARY, COMPLIANCE OFFICER AND AUDIT COMMITTEE MEMBERS

As stated in the circular jointly issued by the Company and B & B on 9 July 2004, save for Mr. Wong Kok Sun and Mr. Ma Wai Hung, Vincent, all executive, non-executive and independent non-executive directors of the Company, namely Mr. Chen Vee Li, Felix, Mr. Lee Chan Wah, Mr. Chen Si Te, Frank, Dr. Wong Kwok Yiu, Chris, Mr. Ma Ching Nam and Dr. Yau Yat Yin have resigned as directors of the Company with effect from 27 August 2004 being the date immediately following the completion of the Transactions.

In addition, with effect from 27 August 2004, (i) Mr. Chen Vee Li, Felix has resigned as the chairman, authorised representative, and compliance officer of the Company; (ii) Mr. Lee Chen Wah has resigned as an authorised representative, qualified accountant, audit committee member and company secretary of the Company; and (iii) Mr. Ma Ching Nam and Dr. Yau Yat Yin have resigned as audit committee members of the Company.

Mr. Chen Vee Li, Felix, Mr. Lee Chan Wah, Mr. Chen Si Te, Frank, Dr. Wong Kwok Yiu, Chris, Mr. Ma Ching Nam and Dr. Yau Yat Yin have confirmed that there are no circumstances connected with their resignation which should be brought to the notice of the Stock Exchange and members of the Group under the GEM Listing Rules.

Mr. Chan Ting has been appointed as an executive director and an authorised representative of the Company with effect from 27 August 2004.

Mr. Fung King Him, Daniel has been appointed as an executive director, compliance officer and authorised representative of the Company with effect from 27 August 2004.

Mr. Tsui Wing Tak and Ms. Qi Mei have been appointed as the independent non-executive directors and audit committee members of the Company with effect from 27 August 2004.

Mr. Chan Man Sum, Ivan has been appointed as the chief financial officer, the company secretary and qualified accountant of the Company with effect from 27 August 2004.

At the request of the Company, trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 22 March 2004 in relation to the Transactions and clarification of certain financial information of the Group's results announcement dated 19 March 2004. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on Friday, 27 August 2004.

Reference is made to (i) the Company's announcements dated 31 December 2003, 30 January 2004, 13 February 2004 and 1 March 2004 in relation to the delay of the publication of the results announcement (the "Annual Results") and despatch of annual report (the "Annual Report") for the financial year ended 30 September 2003 and the publication of the results announcement (the "Quarterly Results") and the despatch of the quarterly report (the "Quarterly Report") for the three months ended 31 December 2003; and (ii) the Company's announcement dated 23 April 2004 in relation to the sale and purchase agreement and the subscription agreement both dated 23 March 2004 between the Company and Precise Result Profits Limited ("PRP"), a wholly-owned subsidiary of B & B Natural Products Limited ("B & B") (the "Transactions") and the Whitewash Waiver.

## COMPLETION OF THE TRANSACTIONS

The board of directors of the Company (the "Board") is pleased to announce that the Transactions were duly completed on 26 August 2004. Immediately following the completion of the Transactions, PRP has become the holder of 928,571,428 shares of the Company, representing approximately 60.02% of the enlarged issued share capital of the Company.

Details of the Transactions have been set out in the announcement dated 23 April 2004 and the circular dated 9 July 2004 issued jointly by the Company and B & B.

The following table sets out the shareholding structure of the Company immediately before and after the Transactions:

| | **Immediately before the completion of the Transactions** | | **Immediately after the completion of the Transactions** | |
|---|---|---|---|---|
| | *No. of Shares* | *%* | *No. of Shares* | *%* |
| Byron Bay Holdings Limited | 104,650,000 *(Note 1)* | 16.93 | 104,650,000 | 6.77 *(Note 5)* |
| E-Source Limited | 132,650,000 *(Note 2)* | 21.45 | 132,650,000 | 8.58 |
| Jingle Holdings Limited | 12,000,000 *(Note 3)* | 1.94 | 12,000,000 | 0.78 |
| Wong Kwok Yiu, Chris | 4,800,000 *(Note 4)* | 0.78 | 4,800,000 | 0.31 *(Note 5)* |
| A subsidiary of B & B | – | – | 928,571,428 | 60.02 |
| Public Shareholders | 364,160,000 | 58.9 | 364,160,000 | 23.54 *(Note 5)* |
| Total | 618,260,000 | 100 | 1,546,831,428 | 100 |

*Notes:*

1. These Shares are beneficially owned by the Chen Family 2002 Trust, a discretionary trust. The discretionary objects of which include the family members of Mr. Chen Vee Li, Felix, an executive director of the Company. Mr. Chen Si Te, Frank, a non-executive director of the Company, is the father of Mr. Chen Vee Li, Felix.

2. These Shares are beneficially owned by E-Source Limited, which is wholly owned by the Ma Family 2002 Trust, a discretionary trust. The discretionary objects of which include the family members of Mr. Ma Wai Hung, Vincent, a non-executive director of the Company.

3. Jingle Holdings Limited is wholly and beneficially owned by Mr. Ma Wai Hung, Vincent.

4. Dr. Wong Kwok Yiu, Chris is a non-executive director of the Company.

5. With effect from 27 August 2004, all executive directors, non-executive and independent non-executive directors (save for Mr. Ma Wai Hung, Vincent and Mr. Wong Kok Sun) will resign as directors of the Company. The shareholding interests which are directly or indirectly held by Mr. Chen Vee Li, Felix, Mr. Chen Si Te, Frank and Dr. Wong Kok Yiu, Chris will be considered as the shareholding interests held by the public. Therefore, with effect from 27 August 2004, approximately 30.62% of the issued Aptus Shares will be held in the public hands.

## DELAY IN PUBLICATION AND DESPATCH OF ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2003 AND QUARTERLY REPORT FOR THE THREE MONTHS PERIOD ENDED 31 DECEMBER 2003

The Company has postponed the publication of the Annual Results and the despatch of the Annual Report to 19 March 2004 and 23 March 2004, respectively. The delay of the publication of the Annual Results and the despatch of the Annual Report were due to the delay in the audit works as additional time was required to locate the relevant books and records which were misplaced due to the relocation of the Group's office in the People's Republic of China ("PRC") in September 2003 and the resignation of some of the Group's senior sales executives. As the handover system of the Company was not well developed, it took times for the Company to contact the former sales executive to locate the missing documents.

In order to facilitate the progress of the audit works on the Company, the Board had exercised its best endeavours to locate the missing documents by contacting the former sales executives. Having spent some efforts to locate and contact the former sales executives, at last, part of the missing documents were found. Nevertheless, there were still some documents which could not be found. The Company therefore had requested the counter parties to provide the Company with duplicates of the missing documents. As additional time was required for the Company to contact the said counter parties and wait for their replies in order to obtain these duplicates, the audit works of the Company were delayed and the publication of the Annual Results and despatch of the Annual Report were delayed to 19 March 2004 and 23 March 2004 respectively and the publication of the Quarterly Results and despatch of the Quarterly Report were therefore delayed to 19 March 2004 and 23 March 2004 respectively.

The delay in publication of the Annual Results and despatch of the Annual Report constitutes breaches of Rules 18.03, 18.48A and 18.49 of the Rules (the "GEM Listing Rules") Governing the Listing of Securities on the Growth Enterprise Market ("GEM") of the Stock Exchange and the delay in the publication of the Quarterly Results and despatch of the Quarterly Report constitutes breaches of Rules 18.66 and 18.79 of the GEM Listing Rules on the part of the Company.

The Stock Exchange has indicated that it reserves the right to take actions against the Company and its directors in relation to the aforesaid breaches.

**CLARIFICATION OF THE FINANCIAL INFORMATION IN THE GROUP'S RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2003**

On 19 March 2004, the Company released the audited consolidated financial statements of the Group for the year ended 30 September 2003. Ernst & Young (the "Auditors"), the Company's auditors issued a disclaimer opinion on the Company's financial statements extracted as follows:

1. *"Scope Limitation – acquisition of a subsidiary*

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

The Board would like to clarify that the name of the subsidiary acquired (the "Acquisition") by the Group was Lucky Mountain Group Limited ("LMGL"). The Company announced on 15 October 2002 that a wholly owned subsidiary of the Company entered into a sale and purchase agreement with Mr. Zou Zangxue (the "Vendor") to acquire from him the entire issued share capital of LMGL and the shareholder's loan for an aggregate consideration of HK$7,800,000. Details of the Acquisition can be referred to in the Company's announcement and circular dated 16 October 2002 and 5 November 2002 respectively.

LMGL is a company incorporated in the British Virgin Islands on 11 October 2000 and was engaged in the distribution of a series of Chinese pharmaceutical products called "Jin Lian Hua". Jin Lian Hua products are antibiotics and anitphologistics which are primarily applied for curing infection of the upper respiratory tract. LMGL is the exclusive worldwide distributor of Jin Lian Hua products for a term of 10 years commencing from 11 October 2000 (the date of incorporation of LMGL). In light of limitation of resources to the Group and the prevailing market conditions in the PRC, LMGL has become dormant.

The Vendor was an independent third party not connected to the Company, the directors, chief executive, the substantial shareholders or management shareholders of the Company or any of its subsidiaries or any of their respective associates as defined under the GEM Listing Rules.

In connection with the Acquisition, a due diligence exercise was carried out by the Company and its directors. The Board was satisfied with the results of the due diligence exercise and subsequently approved the Acquisition in a board meeting held on 11 October 2002. All the records and documents of LMGL (the "Acquisition Records"), prior to the Acquisition, were kept at the Company's PRC office.

During the course of the audit, the Acquisition Records were requested by the Auditors. However, since the majority of the Acquisition Records could not be located after relocation of the Company's PRC office in September 2003, majority of the Acquisition Records were not available to the Auditors. The directors of the Company tried their best effort to locate the missing documents and some documents were then found. In addition, as alternative procedures, the Company had requested the provision of duplicates (including accounting records, vouchers, ledgers and contracts and agreements entered by LMGL) from relevant parties (including the Vendors and the parties who had business relationship with LMGL) and the Auditors also sent confirmations to these relevant parties to confirm the details of the Acquisition. However, the results of these alternative procedures were not satisfactory. LMGL is now dormant and all the book, records and other related documents, after the Acquisition, are properly kept in the Group's office.

The Group recognized an impairment on the unamortized goodwill of approximately HK$4.6 million arising from the Acquisition for the year ended 30 September 2003 and the Group had recorded net current liabilities of approximately HK$1.8 million as at 30 September 2003. The directors of the Company considered that the limitation of the resources and the prevailing competitive market conditions in the PRC has hindered the Group to further develop the business of Jin Lian Hua. In light of such circumstances, the directors of the Company were of the view that it was prudent to impair the goodwill arising from the acquisition of LMGL in the financial statements of the Group for the year ended 30 September 2003. However, the directors of the Company confirm that the Group is still holding the exclusive worldwide distribution right of Jin Lian Hua for a term of 10 years commencing from 11 October 2000 as at the date of this announcement. The Group will continuously assess the marketability of Jin Lian Hua to see whether to continue the business of LMGL in the future.

The Group would also like to clarify that as discussed with the Auditors, there is a typographical error appearing in the last sentence of note 28(c) of the section headed "Notes to financial statements" on page 62 of the Annual Report that the sentence reads "Since its acquisition, LMGL contributed HK$2,011,000 to the Group's turnover and HK$2,011,000 to the consolidated loss after tax and before minority interests for the year ended 30 September 2003". The sentence should actually be stated "Since its acquisition, LMGL contributed HK$2,011,000 to the Group's turnover and HK$5,749,000 to the consolidated loss after tax and before minority interests for the year ended 30 September 2003". Apart from the foregoing typographical error in note 28(c), the financial statements, including the profit and loss account, the balance sheets, the statement of changes in equity, the cash flow statement and all other footnotes to the financial statements, remain unaffected.

2. *"Scope Limitation – Purchases and corresponding payments, accounts payable, inventories and provision made.*

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

Reference is made to the Company's results announcement dated 12 August 2003 for the nine months period ended 30 June 2003 (the "Nine Months Results"). The Group recorded a provision for inventories of HK$15,958,000 for the nine months period ended 30 June 2003. Such inventories were mainly raw materials for manufacturing of pharmaceutical products (the "Inventories"). The Inventories were in powder form and were extracted from natural botanical herb or sheep's placenta for the use of manufacturing of health and beauty supplements products.

The Company had received a sales order from a customer for the Inventories in December 2002. The customer was a new customer and the Group had no other business relationship or sales with this customer before. The customer was engaged in the trading of pharmaceutical and healthcare products in the PRC market and was introduced to the Group by other customers of the Group. The Group then sought two suppliers for the supply of the Inventories from the public information available in the industry sector of the PRC. These two suppliers were engaged in the manufacturing and marketing of pharmaceutical and healthcare products. The Group placed purchase orders to these suppliers in January 2003 and the Inventories were acquired in February 2003.

The Group performed its own inspection by assigning its quality control staff to inspect the Inventories when it took possession of the Inventories from the suppliers in February 2003. Samples of the Inventories had then been sent to a laboratory for inspection and the outcome of the inspection was satisfactory to the Group. Based on the knowledge of the directors of the Company, the normal shelf life of the Inventories ranges from one year to three years. The purchase of Inventories was approved by the Chairman of the Group. The Chairman's approval of such purchases was based on his market judgment and prevailing market practice. All the records and documents (the "Inventories Record"), in relation to the purchase of the Inventories, were kept by the sales manager at the Company's PRC office.

The customer of the Inventories had originally scheduled to carry out quality inspection of the Inventories in March 2003. Due to the outbreak of SARS in March 2003, the Group's customer could not carry out quality inspection on the Inventories until July 2003. Upon the inspection of the Inventories, the customer considered that the quality of the Inventories was below the acceptable standard. Consequently, the sales orders were then cancelled by the customer in July 2003 and it was not agreed by the Group. In July 2003, the Group had sent samples of Inventories to a laboratory in the PRC for quality inspection. A testing report was issued in August 2003. According to the testing report, the quality of the Inventories had exceeded acceptable bacteria limits.

Having received termination notice of the sales contracts from the customer, the Group appointed its legal advisers to follow up the issue. The legal advisers sent a letter to the customer on behalf of the Group. The letter stated that the customer was obliged to continue to honour the sales contracts and further clarification for the reason of such termination was requested. As at the date of this announcement, the customer is not cooperative to respond the Group's queries. The Group had taken steps to seek its legal advisers' opinion as to whether legal action should be taken against the customer. The legal advisers are now assessing the merits of the case by reviewing the relevant case law before further advising the Group in respect of the chances of success in the case.

However, no legal action had been taken by the Group against the two suppliers as at the date of this announcement as the results of quality inspections on the Inventories by the Group were satisfactory when the Group took possession of the Inventories from the two suppliers in February 2003.

During the course of audit, the Auditors performed physical stocktake of the Inventories as at 30 September 2003. The Auditors had performed test count to the stock list provided by the Group during the physical stocktake with no material discrepancy. The Inventories Records have been requested by the Auditors. However, the majority of the Inventories Records could not be located and were not available to the Auditors after the resignation of sales staff and relocation of the Group's PRC office in September 2003. The Inventories Records requested but not available to the Auditors were original copies of the purchase and the corresponding payment of the acquisition of the inventories (including the invoices, receipts, contracts, delivery documents and payment advice), but the photo-copies of the same had been provided to the Auditors.

The directors of the Company tried to locate the missing documents by contacting the former sales staff in order to find out the location of the Inventories Records. In addition, as alternative procedures, the Company had requested the supply of duplicates of the Inventories Records from suppliers and the Auditors had also sent confirmations to the suppliers to confirm the details of the purchase of the Inventories. However, the results of these alternative procedures were not satisfactory.

In August 2004, the Group had sent samples of the Inventories to a laboratory again for quality inspection. A testing report had been received by the Group indicating that the quality of the Inventories had still exceeded acceptable bacteria limits. Such issue had been discussed at a board meeting held on 13 August 2004, with all executive directors and one non-executive director, Mr. Ma Wai Hung, Vincent attending the meeting. The board decided to dispose of the Inventories for the following reasons: (i) the Inventories had been adversely deteriorated; (ii) up to the date of the said board meeting, the Group could not find any customers who were willing to pay for and purchase the Inventories; and (iii) most importantly, no warehouse rental cost would further be incurred by the Group. The Board has also reported and explained the decision of the board meeting regarding the disposal of Inventories to the independent non-executive directors and the independent non-executive directors agreed with the Board's decision. The directors of the Company (including the independent non-executive directors) consider that the disposal of Inventories is in the interests of the Company and its shareholders as a whole.

## REVIEW OF THE INTERNAL CONTROL OF THE GROUP

The directors of the Company and the Audit Committee (comprising two independent non-executive directors, Dr. Yau Yat Yin and Mr. Ma Ching Nam, and one executive director, Mr. Lee Chan Wah of the Company) have investigated into the Auditor's concerns in respect of scope limitations.

In relation to the delay of the publication of the Annual Results and Quarterly Results and the delay of the despatch in the Annual Report and the Quarterly Report, the Audit Committee had made enquires with the Company. In addition, the Audit Committee had inspected all original documents available from the Company and the duplicates of the missing documents in relation to the Acquisition and the purchase of Inventories. In addition, the directors of the Company and the Audit Committee were of the opinion that the aforesaid scope limitations and the delay in publication and despatch of financial statements were attributable to the Group's inefficient internal control policy, specifically on document filing policy and the lack of back-up officer. Except for the findings above, the directors of the Company and the Audit Committee confirm that no unusual matters or irregular transactions were identified during their investigation.

To avoid any recurrence of similar events, the Group has adopted the following procedures:

(1) the Group issued a list of instructions in written form to the staff in the PRC's office to immediately request them to keep documents properly and systematically. All staff of the Group has to follow the instructions strictly. The Group had also proposed several internal procedures (the "Procedures") to strengthen its internal control system. The Procedures mainly included (i) to issue instructions to its staff to keep documents in a proper and strict manner and all important original documents have to be kept in safe custody by the accounting department; (ii) to keep important documents in a safe room with security lock and unauthorized access is strictly not allowed; (iii) to exercise best and reasonable care and conduct to monitor the change of the Group's personnel; and (iv) the management shall from time to time keep track of and/or inspect the Group's important documents.

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

(2) the directors of the Company proposed a new internal control procedures manual (the "Manual") to strengthen its internal control system. The Manual was discussed with the management of B & B, the potential ultimate controlling shareholder of the Company after the completion of the Transactions. The Manual was then discussed in a board meeting held in 7 June 2004. Having reviewed the Manual, the management of B & B and all the attendants of the board meeting were of the opinion that the adoption of the Manual would strengthen the internal control system of the Group. The Manual together with the recommendations from the Independent Professional Firm (as defined below) will be adopted and implemented by the Board and the new directors of the Company as soon as practicable within three months after the recommendations from Grant Thornton are finalised. Further details of the Manual will be announced once the findings and recommendations made by the Independent Professional Firm are finalised; and

(3) the Group appointed Grant Thornton, being an independent professional firm of accountants (the "Independent Professional Firm"), on 9 August 2004 to conduct a review of the Group's current and proposed internal control systems, in particular the operational procedures and practices in order to determine whether the Group has in place effective compliance and financial reporting procedures which enable it to meet its obligations under the Rule 17.10 of the GEM Listing Rules and its financial reporting obligations under the GEM Listing Rules for the preparation of financial statements which give a true and fair view and in accordance with the accounting principles generally accepted in Hong Kong and to make recommendations on any measures which the Group should take in order to rectify any weaknesses which have been identified in its systems and procedures. The scope of work to be conducted by Grant Thornton will be as follows:

    a. reviewing the existing internal control system of the Group covering the period from 15 March 2004 and up to 9 August 2004 which shall reflect the most current mode of business operations of the Group;

    b. reviewing the Manual which was discussed by the Board and the management of B & B in a meeting held on 7 June 2004;

c. making recommendations on any measures which, in their opinion, the Group should take in order to rectify any internal control weaknesses which have been identified in its systems and procedures as a result of the work detailed in (a) and (b) above; and

d. considering if the adoption of the Manual could rectify the weaknesses identified and making recommendations on the modifications to the Manual if the control procedures stipulated in the Manual are considered to be not sufficient.

In addition, Grant Thornton will review the situation and circumstances that gave rise to the qualifications in the auditors' report of the Group's financial statements for the year ended 30 September 2003 regarding the scope limitations over the acquisition of a subsidiary and purchases and corresponding payments, accounts payable, inventories and provision made. In this connection, Grant Thornton will discuss with management of the Company and review the books and records available pertaining to the qualifications and consider if the adoption of the Manual could minimise the situation from happening again in the future.

The directors of the Company estimate that the review will be completed no later than 30 September 2004. Further announcement will be made once the findings and recommendations made by the Independent Professional Firm are finalised. The directors of the Company (both current and the new directors to be appointed as detailed in the below paragraphs) have undertaken to the Stock Exchange that they will use their reasonable endeavours to implement the findings and suggestions made by Grant Thornton as soon as practicable within three months after the recommendations from Grant Thornton are finalised. A further announcement will be made by the Company if longer time is required after discussion with Grant Thornton to implement the recommendations of Grant Thornton.

Apart from the above, the Auditors has also included in their opinion an emphasis that the preparation of the financial statements for the year ended 30 September 2003 was being prepared on a going concern basis. The extract is as follows.

*FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS*

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

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

As announced in the interim results (the "Interim Results") and third quarterly results (the "Third Quarterly Results") of the Company as at 31 March 2004 and 30 June 2004 respectively, the turnover of the Group decreased by approximately 96.5% and approximately 96.7% in the Interim Results and Third Quarterly Results respectively as compared with the last corresponding periods. The Group also recorded nil turnover for the three months ended 30 June 2004. The loss attributable to shareholders was approximately HK$8.1 million for the nine months ended 30 June 2004 as compared to approximately HK$25.3 million, representing a decrease of approximately 68% over the corresponding period last year.

Although the Auditors have not made a qualified opinion on the fundamental uncertainty relating to the going concern basis, in view of the profitability and liquidity concern raised by the Auditors, the Company has entered into a sale and purchase agreement to acquire 75% equity interest in Top Entrepreneur Profits Limited ("TEP") from PRP and a conditional subscription agreement to issue 738,095,238 new Shares to PRP for a consideration of HK$15.5 million on 23 March 2004 and the Whitewash Waiver has been applied for and granted. The details of the Transactions were disclosed in the circular jointly issued by the Company and B & B on 9 July 2004. The extraordinary general meeting of the Company was held on 26 July 2004 and all the resolutions in relation to the Transactions and the Whitewash Waiver were duly approved by the shareholders of the Company. On 26 August 2004, the Transactions were duly completed.

The completion of the Transactions enables the Group to diversify its existing business into trading business of edible oils and their by-products and explore a new source of revenue to the Group. As disclosed in the joint circular of the Company and B & B dated 9 July 2004, Hsing Long has recorded a turnover of approximately HK$39.5 million, HK$30.8 million, HK$41.6 million and HK$8.5 million for the three years ended 31 December 2003 and the three months ended 31 March 2004 respectively.

In addition, the proceeds from the subscription of new Shares of HK$15.5 million will also strengthen the capital bases of the Group. The Company intends to use the proceeds to expand it current business and also the distribution of the edible oil business currently conducted by Hsing Long. Furthermore, the proceeds will also be applied to improve the Company's working capital.

As disclosed in the paragraph headed "Unaudited pro forma statement of assets and liabilities of the Enlarged Group" under the section headed "Financial information on the Enlarged Group" in the Appendix IV of the joint circular of the Company and B & B dated 9 July 2004, the unaudited pro forma net tangible assets of the Group as enlarged immediately after the Transactions (the "Enlarged Group") is approximately HK$22.6 million based on the unaudited consolidated net assets of the Group as at 31 March 2004 and the audited net assets of Hsing Long as at 31 March 2004.

**FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP**

In view of the economic and social problems in 2003, the Group proposed to adopt a more prudent strategy by diversifying its businesses to limit the Group's exposure to business and economic risks. Going forward, the Group currently envisages to focusing on the following areas:

1. Trading of edible oils;

2. Product Commercialisation Services; and

3. Trading of healthcare related products.

**Trading of edible oils**

Hsing Long is in a position to further expand its markets and client base while PRC remains the growth market. The first few years of establishing a sound reputation within the oil trading industry is believed to have been attained. Hsing Long is considering moving into other edible oils to have a broader product base, to expand business relationship with existing clients while also exploring new market segment.

**Product Commercialisation Services**

The Group will continue to operate as a Contract Sales Organization, providing product commercialisation services to its existing clienteles. In view of the proposed acquisition of Hsing Long, the commercialisation services may not be the key income contributor to the Group, as most of the incomes are fee base income and they are seasonal.

**Trading of healthcare related products**

In the past, the Group adopted aggressive trading strategies. Nonetheless, the result was not satisfactory. As a result, the Group is proposing to adopt a more conservative approach. Meanwhile, the Company is also reviewing its internal control policies, operational procedures. Should the Group's internal policies and procedures be properly tighten up, the Group will slowly revamp its trading business in a more prudent manner.

## RESIGNATION AND APPOINTMENT OF DIRECTORS AND CHANGE OF THE AUTHORISED REPRESENTATIVES, QUALIFIED ACCOUNTANT, COMPANY SECRETARY, COMPLIANCE OFFICER AND AUDIT COMMITTEE MEMBERS

As stated in the circular jointly issued by the Company and B & B on 9 July 2004, save for Mr. Wong Kok Sun and Mr. Ma Wai Hung, Vincent, all executive, non-executive and independent non-executive directors of the Company, namely Mr. Chen Vee Li, Felix, Mr. Lee Chan Wah, Mr. Chen Si Te, Frank, Dr. Wong Kwok Yiu, Chris, Mr. Ma Ching Nam and Dr. Yau Yat Yin have resigned as directors of the Company with effect from 27 August 2004 being the date immediately following the completion of the Transactions.

In addition, with effect from 27 August 2004, (i) Mr. Chen Vee Li, Felix has resigned as the chairman, authorised representative, and compliance officer of the Company; (ii) Mr. Lee Chen Wah has resigned as an authorised representative, audit committee member, qualified accountant and company secretary of the Company; and (iii) Mr. Ma Ching Nam and Dr. Yau Yat Yin have resigned as audit committee members of the Company.

Mr. Chen Vee Li, Felix, Mr. Lee Chan Wah, Mr. Chen Si Te, Frank, Dr. Wong Kwok Yiu, Chris, Mr. Ma Ching Nam and Dr. Yau Yat Yin have confirmed that there are no circumstances connected with their resignation which should be brought to the notice of the Stock Exchange and members of the Group under the GEM Listing Rules.

Mr. Chan Ting ("Mr. Chan") has been appointed as an executive director and the authorised representative of the Company with effect from 27 August 2004. Mr. Chan, aged 34, has over ten years of solid working experience in establishing and managing companies in the PRC. He was awarded a degree in Economics from Macquarie University in Australia in 1993. He is an executive director and chief executive officer of B & B Natural Products Limited, a company listed in the GEM of the Stock Exchange. Mr. Chan does not have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Fung King Him, Daniel ("Mr. Fung") has been appointed as an executive director, compliance officer and authorised representative of the Company with effect from 27 August 2004. Mr. Fung, aged 34, 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 has previously worked in Lehman Brothers Asia Limited, HSBC Asset Management Limited and Platinum Securities Company Limited. Mr. Fung does not hold any directorship in other listed companies in the past three years. Mr. Fung does not have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Mr. Tsui Wing Tak and Ms. Qi Mei have been appointed as independent non-executive directors and audit committee members of the Company with effect from 27 August 2004.

Mr. Tsui Wing Tak ("Mr. Tsui") aged 35, holds a bachelor's degree in economics from Macquarie University, Australia. He is a member of both the Hong Kong Society of Accountants and CPA Australia. He has over 11 years of experience in auditing, accounting and financing. Mr. Tsui does not hold any directorship in other listed companies in the past three years. Mr. Tsui does not have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Ms. Qi Mei ("Ms. Qi"), 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, 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. Ms. Qi does not hold any directorship in other listed companies in the past three years. Ms. Qi does not have any interests in the shares or underlying shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

There are no service contracts entered into between Mr. Chan, Mr. Fung, Mr. Tsui, Ms. Qi and 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 amount of emoluments for Mr. Chan, Mr. Fung, Mr. Tsui and Ms. Qi is HK$24,000 per annum respectively, which is determined by the Board with reference to their duties and responsibility. Save as disclosed herein, there are no other benefit provided to Mr. Chan, Mr. Fung, Mr. Tsui and Ms. Qi for their directorship in the Company.

None of the above has any relationship with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of the Company.

Mr. Chan Man Sum, Ivan has been appointed as the chief financial officer, company secretary and qualified accountant of the Company with effect from 27 August 2004.

Mr. Chan Man Sum, Ivan, aged 30, is a member of the American Institute of Certified Public Accountants (AICPA) and holds a Bachelor of Science degree in Business Administration with emphasing on Accounting issued by California State University, Los Angeles. Mr. Chan Man Sum, Ivan had 7 years of experience in the fields of investment banking, accounting and financial management.

At the request of the Company, trading in Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Monday, 22 March 2004 in relation to the Transactions and clarification of certain financial information of the Group's results announcement dated 19 March 2004. Application has been made by the Company to the Stock Exchange for the resumption of trading in shares of the Company on the Stock Exchange with effect from 9:30 a.m. on Friday, 27 August 2004.

By order of the Board
**Aptus Holdings Limited**
**Chen Vee Li, Felix**
*Chairman*

Hong Kong, 26 August 2004

As at the date of this announcement, the Company's executive directors are Mr. Chen Vee Li, Felix, Mr. Lee Chan Wah, and Mr. Wong Kok Sun; non-executive directors are Mr. Ma Wai Hung, Vincent, Mr. Chen Si Te, Frank, and Dr. Wong Kwok Yiu, Chris; and independent non-executive directors are Dr. Yau Yat Yin and Mr. Ma Ching Nam.

*This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rule for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquires, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement 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 announcement misleading; and (3) all options expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

*This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting.*