



**APTUS HOLDINGS LIMITED**  
**問博控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

**2005/2006**  
First Quarterly Report

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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*This report, for which the board of directors of Apts 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.*

## RESULTS

The board of directors (the “**Directors**”) of Aptus Holdings Limited (the “**Company**”) herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 September 2005 together with the comparative unaudited figures for the corresponding periods in 2004 as follows:

|   |              | <b>Three months ended</b> |                 |
|---|--------------|---------------------------|-----------------|
|   |              | <b>30 September</b>       |                 |
|   |              | <b>2005</b>               | 2004            |
|   |              | <b>(unaudited)</b>        | (unaudited)     |
|   | <i>Notes</i> | <b>HK\$'000</b>           | <i>HK\$'000</i> |
| <b>TURNOVER</b>                                 | (2)          | <b>4,774</b>              | 33,915          |
| Cost of sales                                   |              | <b>(4,485)</b>            | (31,968)        |
| Gross profit                                    |              | <b>289</b>                | 1,947           |
| Other revenue and gains                         |              | <b>4</b>                  | 4,341           |
| Selling and distribution costs                  |              | <b>(155)</b>              | 138             |
| Administrative expenses                         |              | <b>(2,451)</b>            | (5,384)         |
| Other operating costs                           |              | –                         | (2,703)         |
| Loss on disposal of a jointly controlled entity |              | –                         | (2,789)         |
| Gain on disposal of subsidiaries                |              | –                         | 60              |
| <b>LOSS FROM OPERATING ACTIVITIES</b>           |              | <b>(2,313)</b>            | (4,390)         |
| Finance costs                                   |              | <b>(6)</b>                | (28)            |
| Share of loss of a jointly controlled entity    |              | –                         | 3               |
| <b>LOSS BEFORE TAXATION</b>                     |              | <b>(2,319)</b>            | (4,415)         |
| Taxation  | (3)          | –                         | –               |
| <b>NET LOSS FOR THE PERIOD</b>                  |              | <b>(2,319)</b>            | (4,415)         |
| Dividend  | (4)          | –                         | –               |
| <b>NET LOSS ATTRIBUTABLE TO</b>                 |              |                           |                 |
| Equity holders of the Group                     |              | <b>(2,317)</b>            | (4,471)         |
| Minority interest                               |              | <b>(2)</b>                | 56              |
|   |              | <b>(2,319)</b>            | (4,415)         |
| <b>LOSS PER SHARE</b>                           | (5)          |                           |                 |
| Basic   |              | <b>(HK\$0.149 cent)</b>   | (HK\$0.46 cent) |
| Diluted   |              | <b>(HK\$0.134 cent)</b>   | (HK\$0.45 cent) |

Notes:

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounts are prepared in accordance with Hong Kong Accounting Standards (“HKAS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong (“the GEM Listing Rules”).

The accounts have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those used in the annual accounts for the year ended 30 June 2005 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out below.

### *Business Combination*

The adoption of HKFRS 3, Business Combinations, has resulted in a change in the accounting policy relating to the discontinuation of amortisation of goodwill arising on acquisitions. Goodwill will be tested for impairment at least annually. Goodwill arising on acquisitions after 1 July 2005 is measured at cost less accumulated impairment losses (if any) after initial recognition. In prior years, goodwill was capitalised and amortised over its estimated useful life. As a result of the adoption of HKFRS 3, no amortisation of goodwill was charged in the current period. Accordingly, comparative figures for the corresponding period have not been restated.

### *Share-based Payments*

The adoption of HKFRS 2, Share-based Payments, has resulted in a change in the accounting policy for employee share option benefits. Accordingly, effective on 1 July 2005, the Group is required to expense the cost of share options in the profit and loss account.

Nevertheless, the Group has applied the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (a) all options granted to employees on or before 7 November 2002; or
- (b) all options granted to employees after 7 November 2002 but which had vested before 1 January 2005.

As all options granted, up to 30 September 2005 are granted before 1 January 2005 and are vested at the time of granting, no adjustments to the opening balances as at 1 July 2005 are required.

## 2. TURNOVER

Turnover represents the invoice value of goods sold, after allowance for returns and trade discounts excluding value-added tax and business tax; and the value of services rendered during the period.

### **3. TAXATION**

No Hong Kong Profits Tax has been provided for the three months ended 30 September 2005 (three months ended 30 September 2004: Nil) as the Group did not generate any assessable profits in Hong Kong during the period. Taxes on profit assessable overseas have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

### **4. DIVIDEND**

The Board does not recommend the payment of any dividend for the three months ended 30 September 2005 (2004: Nil).

### **5. LOSS PER SHARE**

The calculation of basic loss per share for the three months ended 30 September 2005 is based on the unaudited net loss from ordinary activities attributable to shareholders for the three months ended 30 September 2005 of approximately HK\$2.3 million (unaudited net loss from ordinary activities attributable to shareholders for the three months ended 30 September 2004: approximately HK\$4.5 million) and the weighted average of 1,550,291,319 during the three months ended 30 September 2005 (weighted average number of shares in issue for the three months ended 30 September 2004: 981,614,037 shares).

The calculation of the diluted loss per share is based on the unaudited net loss attributable to shareholders for the three months ended 30 September 2005 of approximately HK\$2.3 million (three months ended 30 September 2004: approximately HK\$4.5 million) and of the weighted average of approximately 1,733,865,262 shares in issue during the three months ended 30 September 2005 (three months ended 30 September 2004: approximately 983,433,366 shares).

## 6. MOVEMENT OF EQUITY

|  | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Capital<br>reserves<br><i>HK\$'000</i> | Exchange<br>reserve<br><i>HK\$'000</i> | Retained<br>earnings<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> | Minority<br>interest<br><i>HK\$'000</i> | Total<br>equity<br><i>HK\$'000</i> |
|--|-------------------------------------|-------------------------------------|--|--|---|--------------------------|---|------------------------------------|
| At 1 July 2005, as previously reported   | 15,501                              | 55,408                              | 15,826                                 | 7                                      | (73,888)                                | 12,854                   | -                                       | 12,854                             |
| At 1 July 2005, as previously<br>separately reported as<br>minority interests                      | -                                   | -                                   | -                                      | -                                      | -                                       | -                        | 108                                     | 108                                |
| At 1 July 2005, as restated  | 15,501                              | 55,408                              | 15,826                                 | 7                                      | (73,888)                                | 12,854                   | 108                                     | 12,962                             |
| Exercised of share option benefits   | 2                                   | 12                                  | -                                      | -                                      | -                                       | 14                       | -                                       | 14                                 |
| Exchange differences arising from<br>translation of financial statements<br>of Singapore operation | -                                   | -                                   | -                                      | (1)                                    | -                                       | (1)                      | (4)                                     | (5)                                |
| Loss for the period  | -                                   | -                                   | -                                      | -                                      | (2,317)                                 | (2,317)                  | (2)                                     | (2,319)                            |
| Dividend   | -                                   | -                                   | -                                      | -                                      | -                                       | -                        | -                                       | -                                  |
| <b>At 30 September 2005</b>  | <b><u>15,503</u></b>                | <b><u>55,420</u></b>                | <b><u>15,826</u></b>                   | <b><u>6</u></b>                        | <b><u>(76,205)</u></b>                  | <b><u>10,550</u></b>     | <b><u>102</u></b>                       | <b><u>10,652</u></b>               |
| At 1 July 2004   | 6,183                               | 44,960                              | 17,240                                 | -                                      | (65,677)                                | 2,706                    | -                                       | 2,706                              |
| Issued of shares pursuant to<br>sale and purchase agreement<br>and subscription agreement          | 9,285                               | 10,215                              | -                                      | -                                      | -                                       | 19,500                   | -                                       | 19,500                             |
| Allocation of interest by<br>Minority Interest   | -                                   | -                                   | -                                      | -                                      | -                                       | -                        | 53                                      | 53                                 |
| Exchange differences arising from<br>translation of financial statements<br>of Singapore operation | -                                   | -                                   | -                                      | 7                                      | -                                       | 7                        | 4                                       | 11                                 |
| Loss for the period  | -                                   | -                                   | -                                      | -                                      | (4,471)                                 | (4,471)                  | 56                                      | (4,415)                            |
| Dividend   | -                                   | -                                   | -                                      | -                                      | -                                       | -                        | -                                       | -                                  |
| <b>At 30 September 2004</b>  | <b><u>15,468</u></b>                | <b><u>55,175</u></b>                | <b><u>17,240</u></b>                   | <b><u>7</u></b>                        | <b><u>(70,148)</u></b>                  | <b><u>17,742</u></b>     | <b><u>113</u></b>                       | <b><u>17,855</u></b>               |

## MANAGEMENT DISCUSSION AND ANALYSIS

In order that the financial year end of the Company coincides with its holding company B & B Group Holdings Limited (“B & B”), the Board of the Company has resolved to change the Company’s financial year end from 30 September to 30 June with effect from the year of 2005. Therefore, this quarterly report represents the results of the Group for the three months ended 30 September 2005.

During the three months ended 30 September 2005, the Group principally 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.

## **FINANCIAL REVIEW**

For the three months ended 30 September 2005, the Group recorded an unaudited consolidated turnover of approximately HK\$4.8 million representing a decrease of approximately 85.9% as compared to approximately HK\$33.9 million for the three months ended 30 September 2004. The decrease of turnover was attributed to the decrease of sales of edible oil.

The Group's administrative expenses for the three months ended 30 September 2005 amounted to approximately HK\$2.5 million (2004: approximately HK\$5.4 million), representing a decrease of approximately 54.5%. The administrative expenses consisted mainly of staff costs of approximately HK\$1.7 million and Legal and professional fee of approximately HK\$0.3 million. Net loss attributable to shareholders for the three months ended 30 September 2005 was approximately HK\$2.3 million (2004: approximately HK\$4.4 million), representing an improvement of 47.5%. Gross profit margin was slightly increase to 6.1% for the three months period under review (2004: 5.7%).

The decrease of net loss for the three months ended 30 September 2005 compared to the three months ended 30 September 2004 was attributable to the decrease of administrative expense, which was the result of streamlining and restructuring the operations of the Group during the year ended 30 June 2005.

## **BUSINESS REVIEW**

In June 2005, the Group entered into an agreement with China United Company Limited to acquire 70% equity interest of CNPC HuaYou CU Energy Investment Co. Ltd. ("**CNPC Investment**"). CNPC Investment is, a sino foreign co-operative joint venture enterprise established by China Hua You Group Corporation ("**Hua You**") and a company established in Hong Kong, an independent third party. CNPC Investment has an oilfield development project located in Feng Cheng, Xin Jiang the People's Republic of China (the "PRC") ("**Xin Jiang Oilfield**").

The mining operation of Xin Jiang Oilfield is anticipated to be managed and operated by Hua You, which is a wholly-owned subsidiary of China National Petroleum Corporation, being one of the three largest oil and gas firms in the PRC, and engaging in the production and marketing of oil and gas products, production of latest building materials and gas development and exploitation in the PRC and has extensive experience in mining industries in the PRC. The Directors believe that the Apts Group has to diversify and expand its business in order to enhance its financial position.

## **FUTURE OUTLOOK AND PROSPECTS**

According to the latest data published by the U.S. Energy Information Administration ("EIA") in August 2005, a governmental authority of the United States, the PRC was the world's second largest consumer of petroleum products in 2004, with total demand of 6.5 million barrels per day (bbl/d). The PRC's oil demand is projected by the EIA to reach 14.2 million bbl/d by 2025, with net imports of 10.9 million bbl/d. As the source of around 40% of world oil demand growth over the past four years, oil demand by the PRC is a very significant factor in the world oil markets.

The acquisition of CNPC Investment shall provide a marvelous opportunity for the Group to expand its business into the rapid growing oil industry in the PRC. The profit from the mining of the Xin Jiang Oilfield is prosperous and shall be able to enhance the Group's financial position. Besides, this acquisition permits the Group to establish business relationship with Hua You, which is believed to enable the Group to explore more business opportunities in the oil and gas industries in the PRC and allow the Group to further expand its business.

## **DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES**

As at the 30 September 2005, the interests and short positions of the Directors and chief executive of Aptus in the shares, underlying shares and debentures of Aptus and/or its associated corporations (within the meaning of the Part XV of the SFO) (a) which were required to be notified to Aptus 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 (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to Aptus and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

### **Long positions in the ordinary shares of the Company**

| <b>Name of director</b> | <b>Number of ordinary shares held</b> |                              |                                  | <b>Total interest</b> | <b>Percentage of the Company's issued share capital</b> |
|-------------------------|---------------------------------------|------------------------------|----------------------------------|-----------------------|---|
|                         | <b>Personal interest</b>              | <b>Corporate interest</b>    | <b>Under share option scheme</b> |                       |   |
| Cheung Kwai Lan         | –                                     | 928,571,428<br><i>(Note)</i> | –                                | 928,571,428           | 59.90   |

*Note:*

The 928,571,428 Aptus Shares are owned by Precise Result Profits Limited ("Precise") which is an indirect wholly owned subsidiary of B & B. Madam Cheung Kwai Lan is deemed to be interested in the shares of B & B under the SFO and thereby she is also deemed to be interested in the Aptus Shares.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES**

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by Aptus on 24 April 2002, Aptus had granted pre-IPO shares options on the Aptus Shares in favor of certain eligible participants. As at 30 September 2005, all of the pre-IPO shares options granted had been cancelled and none of these options had been exercised.



At the same date of adoption of the aforesaid Pre-Scheme, a post-IPO share option scheme (the “Post-Scheme”) was also approved by Aptus. Under the terms of the Post-Scheme, the Board may, at their discretion, grant options to any eligible participants at the sole discretion of the Board. The total number of Aptus Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes of Aptus must not exceed 30% of the Aptus Shares in issue from time to time. As at the 30 September 2005, all of the post-IPO shares options previously granted to the Directors had been cancelled and none of the Directors had outstanding share options of Aptus.

Save as disclosed herein, as at the 30 September 2005, none of the Directors nor chief executive of Aptus had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of Aptus and/or its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to Aptus 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 (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to Aptus and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

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

As at 30 September 2005, according to the register kept by Aptus pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of Aptus, the following persons (other than a Director or chief executive of Aptus) had, or was deemed or taken to have, an interest or short position in the Aptus Shares or underlying Aptus Shares which would fall to be disclosed to Aptus under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meeting of any member of the Group:

| <b>Name of shareholder</b>                          | <b>Capacity</b>   | <b>Number of Aptus Shares held</b> | <b>Number of share options and underlying shares held</b> | <b>Aggregate long position</b> | <b>Percentage of shareholding</b> |
|---|---|------------------------------------|---|--------------------------------|-----------------------------------|
| Precise   | Direct interest of corporation                          | 928,571,428                        | –   | 928,571,428                    | 59.90                             |
| China Success Enterprises Limited ( <i>Note 1</i> ) | Interest of corporation through wholly owned subsidiary | 928,571,428                        | –   | 928,571,428                    | 59.90                             |

| Name of shareholder                                 | Capacity  | Number of Aptus Shares held | Number of share options and underlying shares held | Aggregate long position | Percentage of shareholding |
|---|---|-----------------------------|--|-------------------------|----------------------------|
| B & B ( <i>Note 1</i> )                             | Interest of corporation through wholly owned subsidiary     | 928,571,428                 | –  | 928,571,428             | 59.90                      |
| Best Frontier Investments Limited ( <i>Note 1</i> ) | Interest of corporation through non-wholly owned subsidiary | 928,571,428                 | –  | 928,571,428             | 59.90                      |
| Cheung Kwai Lan ( <i>Note 2</i> )                   | Beneficial owner  | 928,571,428                 | –  | 928,571,428             | 59.90                      |
| Chan Tung Mei ( <i>Note 2</i> )                     | Beneficial owner  | 928,571,428                 | –  | 928,571,428             | 59.90                      |

*Note:*

1. Precise is a wholly owned subsidiary of China Success Enterprises Limited. China Success Enterprises Limited is a wholly owned subsidiary of B & B. As at 30 September 2005, Best Frontier Investments Limited was interested in approximately 54.35% of the issued share capital of B & B. The Aptus Shares referred to herein relate to the same parcel of Aptus Shares held by Precise.
2. 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 and Mr. Chan Tung Mei are deemed to be interested in the Aptus Shares under SFO. The Aptus Shares referred to herein relate to the same parcel of Aptus Shares held by Precise.

Besides, Madam Cheung Kwai Lan held 1,380,000 shares of B & B as at 30 September 2005.

Save as disclosed above, as at the 30 September 2005, the Directors or chief executive of Aptus were not aware of any person (other than a Director or chief executive of Aptus) who had an interest or short position in the Aptus Shares or underlying Aptus Shares which would fall to be disclosed to Aptus under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group.

## **COMPETING INTEREST**

As at the 30 September 2005, so far as the Directors were aware, none of the Directors or employees of Aptus nor their respective associates had any business or interest that competed or might compete with the business of the Group or any other conflicts of interest with the Group.

## **BOARD PRACTICES AND PROCEDURES AND CODE OF CORPORATE GOVERNANCE PRACTICES**

Throughout the period, the Company was in compliance with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules, which applied before the amendment of the GEM Listing Rules relating to the Code of Corporate Governance Practices and Rules on Corporate Governance Report on 1 January 2005. The Company will prepare a Corporate Governance Report in accordance with Rule 18.44 of the GEM Listing Rules for the financial period ending 30 June 2006.

The Company had applied a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all Directors confirmed they had complied with the required standard of dealings and the Code of Conduct regarding securities transactions by Directors adopted by the Company.

## **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, Mr. Zhao Zhi Ming and Mr. Tsui Wing Tak. Mr. Tsui Wing Tak is the chairman of the audit committee. The Group's audited results for the three months ended 30 September 2005 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.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the three months ended 30 September 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Madam CHEUNG Kwai Lan**  
*Chairman*

Hong Kong, 12 November 2005

*As at the date of this report, the board of directors of the Company comprises three executive directors, being Madam Cheung Kwai Lan, Mr. Chan Ting and Mr. Fung King Him, Daniel and three independent non-executive directors, being Mr. Tian He Nian, Mr. Zhao Zhi Ming and Mr. Tsui Wing Tak.*