**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

This circular is for information purpose only and does not constitute an invitation or offer to acquire or subscribe for securities.

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Aptus Holdings Limited, you should at once hand this circular, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.



APTUS

# APTUS HOLDINGS LIMITED
# 問博控股有限公司

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

(Stock Code: 8212)

## VERY SUBSTANTIAL ACQUISITION

## ACQUISITION OF EQUITY INTEREST IN CNPC HUAYOU CU ENERGY INVESTMENT CO. LTD.

A notice convening the extraordinary general meeting of Aptus Holdings Limited to be held at 10 a.m. on 5 December 2005 (Monday) at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong is set out in the section headed "Notice of the EGM" of this circular. Whether or not you are able to attend the extraordinary general meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the head office and principal place of business in Hong Kong of Aptus Holdings Limited at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the extraordinary general meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

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

11 November 2005

# CHARACTERISTICS OF GEM

**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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

# CONTENTS

*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

| **Expressions** | **Meanings** |
|---|---|
| "Acquisition" | the acquisition of 70% equity interest in CNPC Investment from China United by Good United pursuant to the Agreements |
| "Agreements" | the agreement dated 17 June 2005 (as amended by a supplemental agreement dated 9 August 2005) in relation to the Acquisition |
| "Aptus" or "Company" | Aptus Holdings Limited, a company incorporated in the Cayman Islands with limited liability and is a subsidiary of B & B |
| "Aptus Group" or "Group" | Aptus and/or its subsidiaries or any of them |
| "Aptus Share(s)" or "Share(s)" | ordinary share(s) of HK$0.01 each in the capital of Aptus |
| "Aptus Shareholder(s)" | the holder(s) of Aptus Shares or Shares |
| "B & B" | B & B Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM |
| "Board" | the board of Directors |
| "China United" | 中匯(國際)投資發展有限公司(China United (International) Investment Development Limited), a limited company incorporated in Hong Kong |
| "Consideration Shares" | 20,000,000 new Aptus Shares to be issued by Aptus as part of the consideration for the Acquisition |
| "CNPC" | 中國石油天然氣集團公司(China National Petroleum Corporation), a state-owned enterprise established under the laws of the PRC and is the controlling shareholder of 中國石油天然氣股份有限公司 (Petrochina Company Limited), a company which shares are listed on the Stock Exchange |
| "CNPC Investment" | 華油中匯能源發展有限責任公司 (CNPC Huayou Cu Energy Investment Co. Ltd.), a 中外合作企業 (sino foreign co-operative joint venture enterprise) established in the PRC |
| "CPG" | 中國石油集團新疆石油管理局(China National Petroleum Corporation Xin Jiang Petroleum Management Bureau), a wholly owned subsidiary of CNPC |

| | |
|---|---|
| "Directors" | the directors of Aptus |
| "EGM" | the extraordinary general meeting of Aptus to be convened to approve, among others, the Agreements and the transactions contemplated therein and issue of the Consideration Shares |
| "EIA" | has the meaning ascribed thereto under the sub-section headed "Reasons for the Acquisition" in the section headed "Letter from the Board" |
| "Enlarged Group" | the Company and its subsidiaries after completion of the Acquisition including CNPC investment and its subsidiaries (if any) |
| "First Joint Announcement" | the joint announcement of B & B and Aptus dated 22 June 2005 in relation to, inter alia, the Acquisition |
| "GEM" | The Growth Enterprise Market of the Stock Exchange |
| "GEM Listing Rules" | the Rules Governing the Listing of Securities on GEM |
| "Good United" | Good United Management Limited, a company incorporated in the British Virgin Islands and is a wholly-owned subsidiary of Aptus and a subsidiary of B & B |
| "Hua You" | 中國華油集團公司 (China Hua You Group Corporation), a company established in the PRC |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "Joint Announcements" | collectively (1) the First Joint Announcement and (2) the joint announcement of B & B and Aptus dated 10 August 2005 in relation to, inter alia, the Acquisition |
| "Latest Practicable Date" | 7 November 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| "Mr Li" | 李鐵 (Li Tie), a director of CNPC Investment |
| "Mr Ma" | 馬汝偉 (Ma Ru Wei), a former director of CNPC Investment |
| "PRC" | the People's Republic of China |
| "Precise" | Precise Result Profits Limited, a company incorporated in the British Virgin Islands and is a wholly owned subsidiary of B & B |

| | |
|---|---|
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Xin Jiang Oilfield" | Nos 1, 32 and 43 Heavy Oil Blocks of 新疆風城油田 (Xin Jiang Feng Cheng Oilfield) |
| "HK$" | the lawful currency of Hong Kong |
| "RMB" | the lawful currency of the PRC. For information only, RMB has been translated to HK$ as to HK$1 to RMB 1.06. No representation is made that such amounts were or could be exchanged at such rate |
| "US$" | the lawful currency of the United States of America. For information only, US$ has been translated to HK$ as to US$1 to HK$7.8. No representation is made that such amounts were or could be exchanged at such rate |

APTUS

# APTUS HOLDINGS LIMITED
# 問博控股有限公司

*(incorporated in the Cayman Islands with limited liability)*
(Stock Code: 8212)

*Executive Directors*
Madam Cheung Kwai Lan
Mr Chan Ting
Mr Fung King Him, Daniel

*Independent non-executive Directors*
Mr Tian He Nian
Mr Zhao Zhi Ming
Mr Tsui Wing Tak

*Registered office:*
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

*Head office and principal place of business in Hong Kong:*
30th Floor, Sunshine Plaza
353 Lockhart Road
Hong Kong

11 November 2005

*To the Aptus Shareholders*

Dear Sir or Madam,

## VERY SUBSTANTIAL ACQUISITION

## ACQUISITION OF EQUITY INTEREST IN CNPC HUAYOU CU ENERGY INVESTMENT CO. LTD.

**INTRODUCTION**

As disclosed in the Joint Announcements, Good United had entered into the Agreements with, among others, China United for the acquisition of an aggregate of 70% equity interest in CNPC Investment for a total consideration of HK$15,000,000, pursuant to which HK$5,000,000 will be satisfied in cash and the balance of HK$10,000,000 will be satisfied by the issue of the Consideration Shares. CNPC Investment owns a joint mining right in Xin Jiang Oilfield.

Under the GEM Listing Rules, the Agreements and the transactions contemplated therein constitute a very substantial acquisition of Aptus.

The purpose of this circular is to provide the Aptus Shareholders with further details of the Acquisition.

**THE AGREEMENTS**

**Date:**

17 June 2005 (amended by a supplemental agreement dated 9 August 2005)

**Parties:**

1) Good United as the purchaser

2) China United as the vendor

3) Mr Li and Mr Ma as the guarantors

Aptus confirmed that to the best of the Directors' knowledge, information and belief and having made all reasonable enquiry by the Directors, Mr Li, Mr Ma and China United and its ultimate beneficial owners were third parties independent of Aptus and its connected persons (as defined in the GEM Listing Rules). To the best knowledge of the Directors, China United is principally engaging in the business of development and operation of crude oil, natural gas and related projects in the PRC and is not a listed company nor a subsidiary of a listed company.

**The asset to be acquired:**

70% of the equity interest in CNPC Investment which owns a joint mining right in Xin Jiang Oilfield. Further information of Xin Jiang Oilfield is set out in the sub-section headed "Xin Jiang Oilfield" below. Upon completion of the Acquisition, China United and the Aptus Group will hold 30% and 70% of the equity interest in CNPC Investment respectively.

**Consideration:**

A total consideration of HK$15,000,000 to be satisfied as follows:

1) HK$5,000,000 in cash (out of which HK$1,000,000 had been paid as at the Latest Practicable Date and the remaining HK$4,000,000 is payable upon completion); and

2) HK$10,000,000 to be satisfied by the issue of the Consideration Shares at an issue price of HK$0.50 for each Consideration Share issuable within five business days after the date of completion (based on the closing price of the Aptus Shares as at the Latest Practicable Date, the value of the Consideration Shares should have amounted to HK$17.6 million).

In the event that the Acquisition cannot be completed pursuant to the Agreements, China United shall refund the HK$1,000,000 cash consideration paid as mentioned above (without interest) within 10 days upon written notice given by Good United.

Based on the audited financial statements of Aptus for the financial year ended 30 September 2004 and the period ended 30 June 2005, the Group recorded revenue of approximately HK$34,400,000 and HK$67,190,000 and net loss of approximately HK$12,500,000 and HK$3,740,000 respectively. Also, according to its audited financial statements as at 30 June 2005, the Group had cash and bank balances of approximately HK$10,955,000. The Directors confirmed that the remaining cash consideration of HK$4,000,000 would be settled by cash and bank reserves of the Group.

The Consideration Shares, represent approximately 1.29% of the existing issued share capital of Aptus as at the Latest Practicable Date and approximately 1.27% of the issued share capital of Aptus as enlarged by the issue of the Consideration Shares (assuming that there will be no change in the issued share capital of Aptus from the Latest Practicable Date to the date of issue of the Consideration Shares save for issue of the Consideration Shares). The Directors confirmed that Aptus would seek approval from the Aptus Shareholders for issue of the Consideration Shares in the EGM and the Consideration Shares would not be issued from the general mandate of Aptus.

As at the Latest Practicable Date, B & B was indirectly holding approximately 59.9% of the issued share capital of Aptus and it was expected that Aptus would continue to be a subsidiary of B & B after completion of the Acquisition. The issue price of HK$0.50 per Consideration Share represents (a) a discount of approximately 1.96% to the closing price of the Aptus Shares on 17 June 2005, being the last trading day immediately before publication of the First Joint Announcement; (b) a discount of approximately 0.79% to the average closing price of the Aptus Shares for the five trading days immediately before publication of the First Joint Announcement; (c) a discount of approximately 2.5% to the average closing price of the Aptus Shares for the 10 trading days immediately before publication of the First Joint Announcement and (d) a discount of approximately 43.2% to the closing price of the Aptus Shares as at the Latest Practicable Date.

The Directors confirmed that the consideration was determined on arm's length negotiations and normal commercial terms based on 70% of the audited net asset value of CNPC Investment prepared based on the PRC accounting standards as at 31 December 2004 which amounted to approximately RMB11,200,000 (approximately HK$10,560,038). The remaining balance of the consideration, amounting to approximately RMB3,800,000 (approximately HK$3,584,906), is given in view of the joint mining right which is an intangible asset not reflected in the financial statements of CNPC Investment and is determined based on commercial negotiations in respect of the total estimated reserve of approximately 31 million tones of crude oil in Xin Jiang Oilfield as specified in the "Technical Consultants' Report on Xin Jiang Oilfreld" as contained in Appendix IV to this circular.

**Conditions:**

Completion of the Acquisition is conditional upon:

(a) completion of financial due diligence on CNPC Investment and its subsidiaries (if any) by Good United and/or its authorized representative;

(b) completion of legal due diligence on CNPC Investment and its subsidiaries (if any) by Good United and/or its authorized representative to the satisfaction of Good United;

(c) the Agreements and the issue of the Consideration Shares have been approved by the Aptus Shareholders in the EGM;

(d) the Agreements have been approved by the shareholders of B & B (if required);

(e) the Stock Exchange granting its approval for the listing of and permission to deal in the Consideration Shares;

(f) China United has obtained all approval, consent, authorization or waiver in relation to or from the relevant laws, the governing authorities and any obligations to third parties pursuant to the execution of the Agreements and any transactions contemplated therein to the satisfaction of Good United;

(g) the issue of a PRC legal opinion by a PRC legal adviser appointed by Good United in relation to (a) the establishment; (b) the interests between the shareholders and (c) the operation of CNPC Investment to the satisfaction of Good United;

(h) the warranties in relation to CNPC Investment and its subsidiaries (if any) have not been breached in any material aspect;

(i) no material violation of any obligations under the Agreements by China United and the guarantors;

(j) the board of directors of CNPC Investment has approved the Acquisition and amendments to the original joint venture agreements and articles of association of CNPC Investment and has agreed to the execution of any relevant agreements in this regard;

(k) the original approving authorities and other relevant PRC authorities have approved the Acquisition and amendments to the original joint venture agreements and articles of association of CNPC Investment; and

(l) CNPC Investment has obtained the approval and consent certificate from the original approving authorities for the Acquisition and the change in the equity interests by the shareholders.

To the understanding of the Directors, as at the Latest Practicable Date, conditions (a), (f), (j) (in relation to approval for the Acquisition only) & (l) have been fulfilled and the relevant work for conditions (b), (k) and (g) has commenced but none of which has been completed.

Save as conditions (c), (d), (k) and (l) , all other conditions can be waived by Good United. If any of the conditions cannot be fulfilled or waived (as the case may be) before 31 December 2005, save as certain provisions in relation to warranties and governing law, the Agreements shall lapse and the parties shall be released from all rights and obligations under the Agreements save as in relation to any antecedent breach. The Directors confirmed that the waiver provision was to allow more flexibility to the Group and pursuant to the Agreements, condition (e) is not exempt from the waiver provision. The Directors also confirmed that Good United did not intend to waive any of the conditions as at the Latest Practicable Date. In the event any condition is waived by Good United, Aptus will inform the Aptus Shareholders the waiver granted in further announcement(s).

**Completion:**

The fifth business days after all conditions have been fulfilled or waived (as the case may be).

**INFORMATION OF THE GROUP AND CNPC INVESTMENT**

The Group is currently engaging in the principal business of trading of edible oil and the Directors confirmed that the principal business of Aptus would be changed to mining and exploration after completion of the Acquisition.

CNPC Investment is a 中外合作企業 (sino foreign co-operative joint venture enterprise) established in the PRC on 30 April 2004 and is principally engaging in the business of development and operation of crude oil, natural gas and other projects relating to the usage of crude oil and natural gas. CNPC Investment was established by two co-operative parties to CNPC Investment, namely China United and Hua You, which, to the best knowledge of the Directors, are not connected persons (as defined in the GEM Listing Rules) of Aptus. China United is responsible for providing capital to CNPC Investment and is holding 100% of the equity interest and subject to below, the right to the entire profit of CNPC Investment.

To the understanding of the Directors, Hua You will be entitled to management fee for CNPC Investment's projects but will not be entitled to any equity interest nor right of profit sharing unless it invests in the projects, which shall be subject to further negotiation between the other co-operative parties of CNPC Investment on a project by project basis. For the project of Xin Jiang Oilfield solely, it has been agreed between CNPC Investment and Hua You before execution of the Agreements that Hua You will be entitled to an annual management fee of RMB200,000 (approximately HK$188,679). For other projects of CNPC Investment, management fee will be payable on a case by case basis subject to further negotiations between the parties. As at the Latest Practicable Date, since mining had not commenced in Xin Jiang Oilfield, no management fee had been paid to Hua You. Save as the project of Xin Jiang Oilfield, the Directors understand that there is no previous cooperation between CNPC Investment and Hua You.

To the understanding of the Directors, Hua You is a wholly-owned subsidiary of CNPC and is engaging in the principal businesses of production and marketing of oil and gas products, gas development and exploitation and production and marketing of high grade lubricating oil etc. Hua You is responsible for providing exploration and mining techniques and skills and for managing and operating the oilfields of CNPC Investment.

Hua You is operating two oilfields situated at 吉林省松原市乾安縣東南 (Southeast Zian An Town, Song Yuan City, Jilin Province) and 陝西省榆林市定邊鎮周臺子地區 (Zhou Tai Zi Area, Ding Bian Town, Yu Lin City, Shan Xi Province) of the PRC, respectively. Besides, Hua You has developed a gas field in Sichuan Province with yearly output of approximately 30 million cubic meters and operated 25 gas filling stations in Sichuan Province and Chongqing. Hua You also owns a company which sells high grade lubricating oil products under the brand name "You Te" in the PRC.

The operating term of CNPC Investment is 20 years commencing from its establishment (i.e. the term will expire on 29 April 2024) and the registered capital and total investment amount of CNPC Investment amounted to RMB100,000,000 (approximately HK$94,339,623) and RMB200,000,000 (approximately HK$188,679,245) respectively. Out of the RMB100,000,000 (approximately HK$94,339,623) registered capital, only RMB15,947,900 (approximately HK$15,045,189) has been paid up. Pursuant to the relevant approval granted by the PRC authority, the registered capital of CNPC Investment shall be paid up by China United within three years from the date of its establishment. Accordingly, Good United shall be obliged to pay up RMB70,000,000 (approximately HK$66,037,736) out of the RMB84,052,100 (approximately HK$80,188,679) outstanding registered capital after completion of the Acquisition, representing 70% of the registered capital of CNPC Investment of RMB100,000,000 (approximately HK$94,339,623). Since in relation to the Acquisition, Good United will be acquiring only 70% of the equity interest in CNPC Investment and after completion, China United will still be holding 30% of the equity interest in CNPC Investment, the remaining balance of RMB14,052,100 (approximately HK$13,256,698) will be payable by China United. Based on the existing financial position of the Group, the Directors expect that such obligation will be financed 50% by internal resources (through fund raising, if required) and 50% by bank borrowings of the Group but such proportion may be subject to change depending on the financial position of the Group at the relevant time of payment. In view of the good potential arising from the subject project as explained in the sub-section headed "Reasons for the Acquisition" below, the Directors are of the view that the Group shall be able to raise funds and/or obtain bank borrowings to pay up the registered capital if required. In the event that the Group is not able to fulfill its capital commitment due to shortage of funds, Aptus will inform the Aptus Shareholders the situation in further announcement(s).

The Directors expect that the total investment to be paid by the Group for the subject project after completion will be approximately HK$81,037,736, comprising RMB70,000,000 (approximately HK$66,037,736) of registered capital and HK$15,000,000 of consideration payable to China United. As at the Latest Practicable Date, the Directors did not expect any further material investment which would be payable by the Group for the subject project.

Upon completion of the Acquisition, the Aptus Group will hold 70% equity interest in CNPC Investment and CNPC Investment will become a subsidiary of Aptus. China United will then hold the remaining 30% equity interest in CNPC Investment. As agreed, the board of directors of CNPC Investment should consist of five members, three of which should be appointed by the Group and each of Hua You and China United should appoint one director accordingly. The chairman of CNPC Investment shall be appointed by the Group.

CNPC Investment was incorporated on 30 April 2004. Based on the "Accountants' Report on CNPC Investment" as contained in Appendix II to this circular, the net loss before and after taxation and extraordinary items for the period from 30 April to 31 December 2004 amounted to approximately HK$1,192,910 and the net loss before and after taxation and extraordinary items for the six months ended 30 June 2005 amounted to approximately HK$1,488,479.

**Xin Jiang Oilfield**

The Directors consider that the most valuable asset of CNPC Investment is its mining right in Xin Jiang Oilfield jointly owned with CPG. It was agreed in writing that the profit arising therefrom should be shared between CNPC Investment and CPG in the proportion of 80% to 20% and as advised by the PRC legal adviser of the Company, Hills & Co, the relevant agreements are binding against the respective parties pursuant to the existing PRC laws. Accordingly, after completion of the Acquisition, the Group shall be entitled to share 70% of the 80% of the net profits entitled by CNPC Investment (i.e. 56% of the net profits) after distributing 20% of the net profits to CPG.

According to the information provided by CPG and CNPC Investment, CPG is a wholly-owned subsidiary of CNPC and is engaging in the principal businesses of development and management of oilfields in Xin Jiang Province.

As stated in the First Joint Announcement, the Directors understood that the joint mining right of Xin Jiang Oilfield had been approved by the relevant authorities but the Aptus Group would engage a PRC legal adviser to advise on the relevant PRC laws and regulations in this regard. As advised by the PRC legal adviser of the Company, Hills & Co, CNPC Investment had obtained the joint mining right of Xin Jiang Oilfield and such right had been confirmed by the relevant PRC authorities, namely 中國石油天然氣股份有限公司新疆油田分公司 (Petrochina Company Limited Xin Jiang Oilfield Branch Company) and CPG. The PRC legal adviser of the Company has also confirmed that the two authorities have the right to give such confirmations. The PRC legal adviser advised that the exercise of the joint mining right of Xin Jiang Oilfield was subject to completion of certain legal procedures and the obtaining of certain approvals and permits including, inter alia, the obtaining of the approval for the exploitation of Xin Jiang Oilfield, the approval for reserves proof, the mining permit, compilation of the mining plan and the reporting to 中國石油天然氣股份有限公司勘探與生產分公司 (Petrochina Company Limited Exploration and Production Branch Company) etc. Save as《關於新疆油田分公司與地區服務公司合作開發未動用儲量申請的批複意見》(The approval in relation to the joint exploitation application of unused reserves by Xin Jiang Oilfield branch company and district service company), issued by 中國石油天然氣股份有限公司勘探與生產分公司 (Petrochina Company Limited Exploration and Production Branch Company) on 8 January 2002 to approve the exploitation of the Xin Jiang Oilfield which had been obtained, all other procedures, approvals and permits will only be obtained or completed before actual mining of the Xin Jiang Oilfield commenced. "CPG has notified in writing that (a) it will use its best effort to assist CNPC Investment to obtain and complete the relevant procedures, approvals and permits after CNPC Investment can prove that it has capital of not less than RMB50,000,000 (approximately HK$47,169,811) for the project of Xin Jiang Oilfield and (b) upon proving of such capital, the obtaining or completion of the relevant procedures, approvals and permits shall not have any legal impediment. The Directors understand that the relevant approvals and permits have to be obtained through CPG and CPG has extensive experience in handling similar cases for oilfields in Xin Jiang. Accordingly, the Directors consider that they can rely on the notification from CPG and they do not foresee any impediment in the obtaining or completion of the relevant procedures, approvals and permits after sufficient capital is injected in CNPC Investment.

**The Shareholders shall note that the obtaining or completion of the relevant procedures, approvals and permits for the exercise of the joint mining right of Xin Jiang Oilfield is not a condition for completion of the Acquisition. The Aptus Group will not be able to get any refund of the consideration paid for the Acquisition if such procedures, approvals and permits cannot be obtained. CNPC Investment may or may not be able to obtain or complete all the relevant procedures, approvals and permits and so there is a risk that it may not be able to exercise its joint mining right. Aptus will inform the Shareholders in further announcement(s) in any event where CNPC Investment has obtained or completed all the relevant procedures, approvals and permits or CNPC Investment has failed to do so. Accordingly, the Shareholders and investors are advised to exercise caution when dealing in the Shares.**

Xin Jiang Oilfield is located in the northwestern rim of Junggar Basin of Xin Jiang province, 120 km east to Karamay City. It is a crude oil field which was discovered in 1960s and has over 40 years of exploration history. As stated in the "Technical Consultants' Report on Xin Jiang Oilfield" contained in Appendix IV to this circular, Xin Jiang Oilfield comprises three heavy oil blocks with a total mining area of approximately 10.9 square kilometers and a total estimated reserve of approximately 31 million tones crude oil. The mining right will expire in December, 2016. As stated in the "Technical Consultants' Report on Xin Jiang Oilfield" contained in Appendix IV to this circular, only explorations have been carried out but mining and production have not commenced in Xin Jiang Oilfield. After discussing with the technical consultants and reviewing their report on Xin Jiang Oilfield which is set out in Appendix IV to this circular, the Directors understand that (i) the crude oil in Xin Jiang Oilfield is ultra-heavy with high density, high viscosity, medium freezing point and zero mobility in underground condition; (ii) the geological reserve of Xin Jiang Oilfield is approximately 31 million tons; (iii) the producing recoverable reserves of Xin Jiang Oilfield is at least 6.1 million tons; and (iv) the single-well steam stimulation method shall be adopted to mine Xin Jiang Oilfield in order to maximize the production. Given the technical consultants have extensive experience and knowledge in the crude oil industry, the Directors believe that the information in relation to Xin Jiang Oilfield included in their technical consultants report is accurate and reliable. In addition, the Directors plan to engage these technical consultants to assist CNPC Investment to develop Xin Jinag Oilfield. Further information of Xin Jiang Oilfield and its reserves are set out in Appendix IV to this circular.

## REASONS FOR THE ACQUISITION

The Group had recorded losses for the last two financial years and the Directors believe that the Group has to diversify and expand its business in order to enhance its financial positions. As disclosed in Aptus's 2004 annual report and its 2005 annual reports, the Group's business strategy is to explore other new business opportunities in order to diversify and expand its business. According to the latest data published by the U.S Energy Information Administration ("EIA") in August 2005, an governmental authority of the United States, the PRC was the world's second largest consumer of petroleum products in 2004, with a 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 already is a very significant factor in the world oil markets.

The Group and China United knew each other through business associations between the Directors and the management of China United. From such business associations, the Directors learnt that CNPC Investment had mining right in Xin Jiang Oilfield. After acquiring further understanding of the history, location and possible reserves of Xin Jiang Oilfield, the Directors consider that the Acquisition will be a good opportunity for the Group to expand its business into the rapid growing oil industry in the PRC.

Having consider that (a) the mining operation of Xin Jiang Oilfield will be managed and operated by Hua You which is a wholly-owned subsidiary of CNPC, being one of the three largest oil and gas entities in the PRC engaging in the production and marketing of oil and gas products, production of latest building materials and gas development and exploitation in the PRC with extensive experience in the mining industries in the PRC and (b) the Acquisition permits the Group to share 70% of the remaining 80% net profits arising from mining of oil in Xin Jiang Oilfield after distributing 20% of the entire net profits to CPG, the Directors believe that the profit from the mining of the Xin Jiang Oilfield is prosperous and shall be able to enhance the Group's financial position.

In addition, given that the Acquisition permits the Group to establish business relationship with Hua You, the Directors are of the view that through this business relationship, the Group will be able to explore more business opportunities in the oil and gas industries in the PRC and to further expand its business.

The Group shall be obliged to pay up RMB70,000,000 (approximately HK$66,037,736) registered capital of CNPC Investment within three years from the incorporation of CNPC Investment. Based on the existing financial position of the Group, the Directors expect that such obligation will be financed 50% by internal resources (through fund raising, if required) and 50% by bank borrowings of the Group but such proportion may be subject to change depending on the financial position of the Group at the relevant time of payment. In this regard, the Directors expect that the gearing ratio of the Group will not be more than 50% at all times during the term of the bank borrowings. The Board confirmed that the registered capital would be invested mainly to equip for the mining business of Xin Jiang Oilfield and for daily operations of CNPC Investment and the Directors expect that the Group will be able to earn a return from such investment and generate a steady income inflow from the mining business on a long term basis.

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE ENLARGED GROUP

### Effect of the Acquisition on the earnings and assets and liabilities of Aptus

*Earnings*

CNPC Investment was incorporated on 30 April 2004. For the two years ended 30 September 2004 and the period ended 30 June 2005, the Group recorded an audited net loss of approximately HK$53.3 million, HK$12.5 and HK$3.7 million respectively. CNPC Investment recorded an audited net loss for the period from 30 April 2004 to 31 December 2004 and for the six months ended 30 June 2005 of approximately HK$1.2 million and HK$1.5 million respectively. Assuming completion of the Acquisition had taken place, the unaudited pro forma net loss of the Enlarged Group, which is prepared based on the audited consolidated income statement of the Group for the period ended 30 June 2005 and the audited income statement of CNPC Investment for the six months ended 30 June 2005, would have amounted to approximately HK$5.6 million as stated in the "Financial Information on the Enlarged Group" set out in Appendix III to this circular.

*Net Tangible Value*

As at 30 June 2005, the audited consolidated net tangible liabilities of the Group amounted to approximately HK$11.1 million. Assuming completion of the Acquisition had taken place, the unaudited pro forma consolidated net tangible liabilities of the Enlarged Group, which is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2005 and the audited consolidated balance sheet of the CNPC Investment as at 30 June 2005, would have amounted to approximately HK$12.4 million as stated in the "Financial Information on the Enlarged Group" set out in the Appendix III to this circular.

*Debt Ratio*

As at 30 June 2005, the Group had a debt ratio of approximately 0.47 times (calculated by dividing the total liabilities by the total assets). Assuming completion of the Acquisition had taken place, the Enlarged Group would have a pro forma debt ratio, which is prepared based on the audited consolidated balance sheet of the Group as at 30 June 2005 and the audited balance sheet of the CNPC Investment as at 30 June 2005, of approximately 0.44 times (calculated by dividing the aggregate of the total liabilities and minority interest by the total assets), represented an improvement of approximately 6.4%.

## RESULTS OF THE GROUP

### The year ended 30 September 2003

*Operating Results Analysis*

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

For the year ended 30 September 2003, the Group recorded a turnover of approximately HK$17.2 million. There was a negative gross profit of approximately HK$19.8 million. The negative profit margin was due to the provision of inventories amounted to approximately HK$15.9 million.

Net loss from ordinary activities of the Group attributable to shareholders for the year amounted to approximately HK$53.3 million. Such loss was mainly attributable to the cost of sales and other operating expenses. The net loss from ordinary activities attributable to shareholders was mainly attributable to administrative and other operating expenses. The administrative expenses could be attributed to the auditors' remuneration and depreciation. Other operating expenses accounted for the written off of long term deposit, provision for doubtful debts, impairment and amortisation of intangible assets and impairment of fixed assets of approximately HK$3.4 million, HK$6 million, HK$5.8 million and HK$4.2 million respectively.

*Liquidity, Financial Resources and Capital Structure*

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

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

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

On 29 August 2003 and 30 September 2003, the Group issued convertible note for US$325,000 (approximately HK$2.5 million) and HK$5 million respectively. The maturity date of both notes is 12 months from the issuance date and interest rate of both notes is 3% per annum.

*Significant Investment*

During the year under review, there was no significant investment held by the Group.

**The year ended 30 September 2004**

*Operating Results Analysis*

During the year under review, the revenue of the Group comprises two business segments, namely, services provision and trading operation. Turnover derived from services provision and trading operation for the year ended 30 September 2004 were approximately 6.5% and 93.5% of the overall turnover respectively.

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. The increase in turnover was attributed to the fact of increase in service charge and the turnover from new edible oil business.

The gross profit for the year ended 30 September 2004 was approximately HK$2.2 million (2003: gross loss of approximately HK$19.8 million).

Although the Group's turnover for the year ended 30 September 2004 had 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: approximately 12.7 million), representing a light increase of approximately 4.7%. Other operating expenses mainly consisted 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: 6.4 million).

As at 30 September 2004, the Group's banking facilities which consisted mainly of facilities on letter of credit, amounted to approximately HK$70.2 million. The gearing ratio, defined as the ratio between total bank borrowings including facilities on letter of credit and shareholders' equity, was 24.3% (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 issue of the Company's shares in relation to the listing on GEM and the issuance of new shares to Precise which is an indirectly wholly-owned subsidiary of B & B and for the acquisition of the edible oil business in August 2004.

*Significant Investment*

On 26 August 2004, the Company issued 190,476,190 shares to acquire the edible oil business from B&B Group Holdings Limited. The Company owns an approximate 70.3% interest in the edible oil business.

**The period ended 30 June 2005**

*Operating Results Analysis*

During the period ended 30 June 2005, the Group engaged principally 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 Europe, South East Asia and the PRC.

For the nine months period ended 30 June 2005, the Group recorded turnover of approximately HK$67.2 million, representing an increase of approximately 95.4% as compared to approximately HK$34.4 million for the year ended 30 September 2004. The increase of turnover was attributed to the increase of sales of edible oil.

The Group's administrative expenses amounted to approximately HK$7.3 million (2004: HK$13.3 million), representing a decrease of approximately 44.8%. The administrative expenses consisted mainly of Directors emoluments of approximately HK$2.4 million, staff cost of approximately HK$1.4 million, legal and professional fee of approximately HK$1 million, amortisation of goodwill of approximately HK$0.6 million, depreciation of fixed assets of approximately HK$0.5 million, entertainment expenses of approximately HK$0.3 million and rental expenses of approximately HK$0.2 million.

Net loss attributable to shareholders for the period ended 30 June 2005 was approximately HK$3.7 million, representing an improvement of 70.2% as compared to the year ended 30 September 2004 of approximately HK$12.5 million. The decrease was mainly attributed to (i) the streamline and restructuring of the Group's operation by disposal of Aptus Medical Group Limited, which recorded loss for the two years ended 30 September 2004 of approximately HK$27.4 million and HK$9.5 million, respectively; and (ii) decrease in administrative expenses.

*Liquidity, Financial Resources and Capital Structure*

As at 30 June 2005, the Group had assets of approximately HK$24.1 million (30 September 2004: HK$50.1 million), including net cash and bank balances of approximately HK$11 million (30 September 2004: HK$17.6 million).

As at 30 June 2005, the Group had bank facilities of approximately HK$101 million. The gearing ratio was 0% (30 September 2004: 24.3%). During the period ended 30 June 2005, the Group financed its operations and investing activities primarily with internally generated cash flows.

*Significant Investment*

For the period ended 30 June 2005, the Group disposed its subsidiaries Aptus Medical Group Limited and Aptus Group Limited. Gain on disposal of subsidiaries for the related transactions was approximately HK$2.8 million.

**PROSPECTS OF THE GROUP**

The Aptus Group had recorded losses for the past financial years and the Directors believe that the Aptus Group has to diversify and expand its business in order to enhance its financial position.

The Aptus Group is currently engaging in the trading of edible oil and the Directors confirmed that the principal business of the Aptus Group will be changed to mining and exploration upon completion of the Acquisition. The Directors consider that the most valuable asset of CNPC Investment is its mining right in Xin Jiang Oilfield jointly owned with CPG.

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.

According to the latest data published by the U.S Energy Information Administration ("EIA") in July, 2004, a governmental authority of the United States, the PRC was the world's second largest consumer of petroleum products in 2003, with total demand of 5.56 million barrels per day (bbl/d). The PRC's oil demand is projected by the EIA to reach 12.8 million bbl/d by 2025, with net imports of 9.4 million bbl/d. As the source of around 40% of world oil demand growth over the past four years, oil demand by the PRC already 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.

## RESULTS OF CNPC INVESTMENT

### The period from 30 April 2004 to 31 December 2004

*Operating Results Analysis*

CNPC Investment started its operations on 30 April 2004. For the period ended 31 December 2004, no turnover was recorded. The net loss for the period was approximately HK$1.2 million. Such loss was mainly attributed to entertainment expenses, rental expense and sundry expenses.

*Liquidity, Financial Resources and Capital Structure*

As at 31 December 2004, CNPC Investment had assets of approximately HK$13.9 million, including net cash and balances of approximately HK$1 million and deposit for acquisition of plant and equipment of approximately HK$11.8 million.

During the period ended 31 December 2004, CNPC Investment did not have any bank borrowings and the gearing ratio was 0%. There was no charge on CNPC Investment's assets as at 31 December 2004.

### The six months ended 30 June 2005

*Operating Results Analysis*

For the six months ended 30 June 2005, no turnover was recorded for CNPC Investment. Net loss for the period was approximately HK$1.5 million. Such loss mainly attributed to professional fee of approximately HK$0.6 million, staff salary of approximately HK$ 0.4 million, entertainment expenses of approximately HK$0.2 million and rent and rates of approximately HK$0.1 million.

*Liquidity, Financial Resources and Capital Structure*

As at 30 June 2005, CNPC Investment had assets of approximately HK$12.8 million, including net cash and balances of approximately HK$0.04 million and deposit for acquisition of plant and equipment of approximately HK$11.8 million.

During the period ended 30 June 2005, CNPC Investment did not have any bank borrowings and the gearing ratio was 0%. There was no charge on CNPC Investment's assets as at 30 June 2005.

## DIRECTORS AND SENIOR MANAGEMENT

The Directors and senior management of the Company as at the Latest Practicable Date are as follows:

**Directors**

*Executive Directors*

**Madam CHEUNG Kwai Lan**, aged 67, whose residential address is situated at G/F., 1B Wistaria Road, Kowloon, was appointed as an executive Director on 20 December 2004. Madam Cheung Kwai Lan is 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 (Shangxi Province Tai Yuan (Solar) Research Centre), 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. She is the mother of Mr. Chan Ting, who is also an executive Director.

**Mr. CHAN Ting**, aged 35, whose residential address is situated at Flat D, 1/F., 7 Begonia Road, Kowloon, was appointed as an executive Director and an 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 of B & B which holds approximately 60% shareholding of the Company.

**Mr. FUNG King Him, Daniel**, aged 35, whose residential address is situated at Flat 22A, 23 Yuk San Street, Happy Valley, Hong Kong, was appointed as an executive Director, the compliance officer and an 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 65, whose residential address is situated at 中國北京市萬壽路15號甲A-1 (A-1, Wan Shou Lu Shi Wu Jia, Beijing, China), was appointed as an independent non-executive Director and audit committee member of the Company on 30 September 2004. He 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.

**Mr. ZHAO Zhi Ming**, aged 63, whose residential address is situated at 中國北京市西城區官園國英園小區8號樓四單元501 (Si Dan Yuan 501, 8 Hau Lou, Guan Yuan Gua Ying Yuan Xiao Qu, Xi Cheng Qu, Beijing, China), was appointed as an independent non-executive Director and audit committee member of the Company on 20 January 2005. Mr. Zhao is the committee member of the 國家開發銀行專家委員會 (The Specialist Committee of the China Development Bank) and the Professor of the 遼寧工程技術大學 (LiaoNing Technical University). After graduation from the university in 1964, he had worked for several governmental authorities of the PRC, such as天津市政府部門 (Tianjian Government) and 國家開發銀行(China Development Bank)及國家能源投資公司 (National Energy Investment Company of the PRC). Mr. Zhao has rich experience in managing and investing large size infrastructure projects.

**Mr. TSUI Wing Tak**, aged 36, whose residential address is situated at Flat A, 52/F, Tower 6, Banyan Garden, 863 Lai Chi Kok Road, Kowloon, was appointed as an independent non-executive Director and audit committee member of the Company on 27 August 2004. Mr Tsui 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.

**Senior Management**

**Mr. WONG Kim Ket**, aged 44, is the executive director of one of the Company's subsidiary, Hsing Long Trading Co. Pte. Ltd. in Singapore, which is mainly engaging in the edible oil business. He is one of the founders of the subsidiary and has been managing the subsidiary for more than six years. His formal education 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.

**Mr. CHAN Man Sum, Ivan**, aged 32, is the chief financial officer, qualified accountant and 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 over eight years of experience in the fields of investment banking, accounting and financial management.

**IMPLICATIONS UNDER THE GEM LISTING RULES**

Under the GEM Listing Rules, the Agreements and the transactions contemplated therein constitute a very substantial acquisition of Aptus and will be subject to approval by the Aptus Shareholders in the EGM. To the best of the Directors' knowledge and information and having made all reasonable enquires, no Aptus Shareholder is required to abstain from voting for the approval of the Agreements and the transactions contemplated therein and issue of the Consideration Shares in the EGM.

**EGM**

A notice convening the EGM to be held at 10 a.m. on 5 December 2005 (Monday) at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong is set out in the section headed "Notice of the EGM"of this circular.

A form of proxy for use in the EGM is enclosed. Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the head office and principle place of business in Hong Kong of Aptus at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in the EGM or any adjourned meeting (as the case may be) should you so wish.

A resolution put to the vote in the EGM will be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is duly demanded. A poll may be demanded by:

(a) the chairman of the EGM; or

(b) at least three Aptus Shareholders present in person or in the case of an Aptus Shareholder being a corporation by its duly authorized representative or by proxy and entitled to vote at the EGM; or

(c) an Aptus Shareholder or Aptus Shareholders present in person or in the case of an Aptus Shareholder being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all Aptus Shareholders having the right to vote at the EGM; or

(d) an Aptus Shareholder or Aptus Shareholders present in person or in case of an Aptus Shareholder being a corporation by its duly authorized representative or by proxy and holding Shares conferring a right to attend and vote at the EGM, being shares in which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for an Aptus Shareholder or in the case of an Aptus Shareholder being a corporation by its duly authorized representative shall be deemed to be same as a demand by an Aptus Shareholder.

**RECOMMENDATION**

The Directors consider that the terms of the Agreements and the transactions contemplated therein are fair and reasonable and in the interests of the Aptus Shareholders as a whole and accordingly, recommend the Aptus Shareholders to vote in favor of the ordinary resolutions to be proposed in the EGM to approve the Agreements and the transactions contemplated therein and issue of the Consideration Shares.

**GENERAL**

The Consideration Shares to be issued shall rank pari passu with all other Aptus Shares then in issue.

Aptus has made an application to the Stock Exchange to seek approval for the listing of and permission to deal in the Consideration Shares.

**ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
**Aptus Holdings Limited**
**Chan Ting**
*Executive Director*

## 1. FINANCIAL SUMMARY

The following is a summary of the audited results and financial position of the Group for the preceding three financial years, which comprised the audited accounts for the two years ended 30 September 2003 and 2004 and for the period from 1 October 2004 to 30 June 2005 that were extracted from the annual report of the Company for the period ended 30 June 2005. Effective from the 2005 financial year, the year end date of the Group has changed from 30 September to 30 June.

The results and financial position of the Group for the year ended 30 September 2003 have been audited by the then existing auditors. Because of certain limitations existed on the scope of their audit works, a qualified opinion was given by the then existing auditors in respect of the financial statements of the Group for year ended 30 September 2003. The qualified opinion extracted from the annual report of the Company for the year ended 30 September 2003 was disclosed in Appendix Ia to this circular.

| | **For the year ended 30 September** | | **1.10.2004 to** |
|---|---|---|---|
| | **2003** | **2004** | **30.6.2005** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **RESULTS** | | | |
| Turnover | 17,154 | 34,392 | 67,190 |
| Cost of sales | (36,990) | (32,143) | (64,992) |
| Gross (loss) profit | (19,836) | 2,249 | 2,198 |
| Other revenue | 189 | 4,345 | 271 |
| Selling and distribution costs | (2,088) | – | (1,689) |
| Administrative expenses | (12,716) | (13,299) | (7,337) |
| Other operating expenses | (19,342) | (2,703) | – |
| Loss on disposal of a jointly controlled entity | – | (2,789) | – |
| Gain on disposal of subsidiaries | – | 60 | 2,842 |
| Loss from operations | (53,793) | (12,137) | (3,715) |
| Finance costs | (14) | (291) | (30) |
| Share of loss of a jointly controlled entity | (14) | (53) | – |
| Loss before taxation | (53,821) | (12,481) | (3,745) |
| Taxation | – | – | – |
| Loss before minority interest | (53,821) | (12,481) | (3,745) |
| Minority interest | 482 | (56) | 5 |
| Net loss for the year/period | (53,339) | (12,537) | (3,740) |

| | **At 30 September** | | |
|---|---|---|---|
| | **2003** | **2004** | **30.6.2005** |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **ASSETS AND LIABILITIES** | | | |
| Total assets | 24,842 | 50,100 | 24,091 |
| Total liabilities | (14,070) | (32,245) | (11,129) |
| Minority interest | – | (113) | (108) |
| Shareholders' funds | 10,772 | 17,742 | 12,854 |

## 2. AUDITED FINANCIAL INFORMATION

Set out below is a summary of the audited consolidated income statement of the Group for the year ended 30 September 2004 and for the period from 1 October 2004 to 30 June 2005 and the consolidated balance sheets as at 30 September 2004 and 30 June 2005 of the Group together with the relevant notes to the accounts as extracted from the audited financial statements of the Group for the period ended 30 June 2005.

**Consolidated Income Statement**

*For the period from 1 October 2004 to 30 June 2005*

| | *Notes* | **1.10.2004 to 30.6.2005** *HK$'000* | **Year ended 30.9.2004** *HK$'000* |
|---|---|---|---|
| TURNOVER | *5* | 67,190 | 34,392 |
| Cost of sales | | (64,992) | (32,143) |
| Gross profit | | 2,198 | 2,249 |
| Other revenue | *5* | 271 | 4,345 |
| Selling and distribution costs | | (1,689) | – |
| Administrative expenses | | (7,337) | (13,299) |
| Gain on disposal of subsidiaries | *24(b)* | 2,842 | 60 |
| Other operating expenses | | – | (2,703) |
| Loss on disposal of a jointly controlled entity | | – | (2,789) |
| LOSS FROM OPERATIONS | *7* | (3,715) | (12,137) |
| Finance costs | *8* | (30) | (291) |
| Share of loss of a jointly controlled entity | | – | (53) |
| LOSS BEFORE TAXATION | | (3,745) | (12,481) |
| Taxation | *11* | – | – |
| LOSS BEFORE MINORITY INTEREST | | (3,745) | (12,481) |
| Minority interest | | 5 | (56) |
| NET LOSS FOR THE PERIOD/YEAR | *12* | (3,740) | (12,537) |
| LOSS PER SHARE | | | |
| Basic | *13* | (HK0.24 cent) | (HK1.77 cents) |
| Diluted | *13* | (HK0.22 cent) | (HK1.75 cents) |

**Consolidated Balance Sheet**
*At 30 June 2005*

| | Notes | 30.6.2005 HK$'000 | 30.9.2004 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | 53 | 1,363 |
| Goodwill | 15 | 3,361 | 3,982 |
| | | 3,414 | 5,345 |
| **CURRENT ASSETS** | | | |
| Accounts receivables | 17 | 9,605 | 26,906 |
| Prepayments, deposits and other receivables | | 117 | 278 |
| Bank balances and cash | | 10,955 | 17,571 |
| | | 20,677 | 44,755 |
| **CURRENT LIABILITIES** | | | |
| Accounts payables | 18 | 9,549 | 22,678 |
| Accrued liabilities and other payables | | 1,575 | 4,714 |
| Taxation | | 5 | 534 |
| Finance lease payables | 19 | – | 14 |
| Bank borrowings | 20 | – | 4,305 |
| | | 11,129 | 32,245 |
| **NET CURRENT ASSETS** | | 9,548 | 12,510 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 12,962 | 17,855 |
| **MINORITY INTEREST** | | (108) | (113) |
| **NET ASSETS** | | 12,854 | 17,742 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 21 | 15,501 | 15,468 |
| Reserves | 23 | (2,647) | 2,274 |
| **SHAREHOLDERS' FUNDS** | | 12,854 | 17,742 |

**Balance Sheet**
*At 30 June 2005*

| | Notes | 30.6.2005 HK$'000 | 30.9.2004 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Investment in subsidiaries | 16 | 4,000 | 4,000 |
| Property, plant and equipment | 14 | 53 | – |
| | | 4,053 | 4,000 |
| **CURRENT ASSETS** | | | |
| Prepayments, deposits and other receivables | | 104 | – |
| Amount due from subsidiaries | 16 | 23 | 895 |
| Bank balances and cash | | 10,057 | 16,452 |
| | | 10,184 | 17,347 |
| **CURRENT LIABILITIES** | | | |
| Accrued liabilities and other payables | | 825 | 1,830 |
| Amount due to subsidiaries | 16 | 17 | 4,600 |
| | | 842 | 6,430 |
| **NET CURRENT ASSETS** | | 9,342 | 10,917 |
| **NET ASSETS** | | 13,395 | 14,917 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | 21 | 15,501 | 15,468 |
| Reserves | 23 | (2,106) | (551) |
| **SHAREHOLDERS' FUNDS** | | 13,395 | 14,917 |

**Consolidated Statement of Changes in Equity**
*For the period from 1 October 2004 to 30 June 2005*

| | Notes | 1.10.2004 to 30.6.2005 HK$'000 | Year ended 30.9.2004 HK$'000 |
|---|---|---|---|
| Total equity at the beginning of period/year | | 17,742 | 10,772 |
| Exchange differences arising from translation of financial statements of Singapore operation | | – | 7 |
| Net gain not recognised in the Consolidated Income Statement | | – | 7 |
| Net loss for the period/year | 23 | (3,740) | (12,537) |
| Shares issued on exercised of options | | 266 | – |
| Capital reserve realised on disposal of subsidiaries | | (1,414) | – |
| Issue of shares pursuant to sale and purchase agreement | | – | 4,000 |
| Issue of shares pursuant to subscription agreement | | – | 15,500 |
| | | (4,888) | 6,963 |
| Total equity at the end of period/year | | 12,854 | 17,742 |

**Consolidated Cash Flow Statement**
*For the period from 1 October 2004 to 30 June 2005*

| | Notes | 1.10.2004 to 30.6.2005 HK$'000 | Year ended 30.9.2004 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Loss before taxation | | (3,745) | (12,481) |
| Adjustment for: | | | |
| Interest income | | (16) | (6) |
| Finance costs | | 30 | 291 |
| Gain on disposal of subsidiaries | | (2,842) | (60) |
| Depreciation of property, plant and equipment | | 464 | 2,320 |
| Impairment of property, plant and equipment | | – | 2,703 |
| Amortisation of goodwill | | 621 | 69 |
| Share of loss of a jointly controlled entity | | – | 53 |
| Loss on disposal of a jointly controlled entity | | – | 2,789 |
| Gain on redemption of convertible notes | | – | (4,319) |
| Provision for doubtful debts | | – | 619 |
| Provision for other deposits | | – | 110 |
| Operating cash flows before movements in working capital | | (5,488) | (7,912) |
| Decrease (increase) in accounts receivables | | 17,301 | (22,159) |
| (Increase) decrease in prepayments, deposits and other receivables | | (122) | 170 |
| (Decrease) increase in accounts payables | | (13,098) | 22,333 |
| Decrease in accrued liabilities and other payables | | (1,064) | (3,151) |
| Increase in amount due from a jointly controlled entity | | – | (111) |
| Cash used in operations | | (2,471) | (10,830) |
| Interest received | | 16 | 6 |
| Interest paid | | (30) | (287) |
| Overseas taxation paid | | (6) | – |
| Interest element on finance lease rental payments | | – | (4) |
| **NET CASH USED IN OPERATING ACTIVITIES** | | (2,491) | (11,115) |
| **INVESTING ACTIVITIES** | | | |
| Purchases of property, plant and equipment | | (60) | – |
| Proceeds from disposal of subsidiaries | *24(b)* | (26) | – |
| Acquisition of subsidiaries | *24(a)* | – | 2,341 |
| Refund on long term deposit | | – | 3,400 |
| **NET CASH (USED IN) FROM INVESTING ACTIVITIES** | | (86) | 5,741 |

**Consolidated Cash Flow Statement** *(continued)*
*For the period from 1 October 2004 to 30 June 2005*

| | 1.10.2004 to 30.6.2005 *HK$'000* | Year ended 30.9.2004 *HK$'000* |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| Issue of shares | 266 | 15,500 |
| (Decrease) increase in trust receipt loans | (4,305) | 4,305 |
| Repayment of convertible notes | – | (3,216) |
| Capital element of finance lease rental payments | – | (65) |
| **NET CASH (USED IN) FROM FINANCING ACTIVITIES** | (4,039) | 16,524 |
| **NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | (6,616) | 11,150 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR** | 17,571 | 6,414 |
| Effect of foreign exchange rate changes | – | 7 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR** | 10,955 | 17,571 |
| **ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Bank balances and cash | 10,955 | 17,571 |

## 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 Group Holdings Limited (formerly known as 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 period, the Group was principally involved in the distribution of edible oil.

### 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants ("HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005 except for HKFRS 3 "Business Combinations". The Group has not early adopted these new HKFRSs in the financial statements for the period ended 30 June 2005.

HKFRS 3 is applicable to business combinations for which the agreement date is on or after 1 January 2005. The Group has not entered into any business combination for which the agreement date is on or after 1 January 2005. Therefore, HKFRS 3 did not have any impact on the Group for the period ended 30 June 2005.

The Group has commenced considering the potential impact of other new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position of the Group are prepared and presented.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the HKICPA. The principal accounting policies adopted are as follows:

**Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the period ended 30 June 2005. The results of the subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively.

All significant inter-company 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.

**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS

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

**Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the subsidiary at the date of acquisition. Goodwill arising on acquisition is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

On disposal of subsidiary, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

**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**

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at 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 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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

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

**Impairment** *(continued)*

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.

**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, 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.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries 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.

## NOTES TO THE FINANCIAL STATEMENTS

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

**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.

**Employee benefits**

*(a) Retirement benefit schemes*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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 subsidiary that operates in Singapore are required to participate in a central pension scheme operated by the Central Provident Fund Scheme. The Singapore subsidiary is required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The contributions are charged to income statement as they become payable in accordance with the rules of the pension schemes.

*(b) Share option schemes*

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participant 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**

During the period ended 30 June 2005, the Group's entire turnover is contributed by its distribution of edible oil business.

For the year ended 30 September 2004, besides distribution of edible oil, the Group also engaged in certain services provision included the provision of direct marketing, product consulting and sales force management services to pharmaceutical and healthcare companies as well as trading operation such as marketing and distribution of pharmaceutical and healthcare products. Upon the completion of disposal of Aptus Group Limited and Aptus Medical Group Limited as detailed in notes 6 and 24(b), these businesses were discontinued.

Summary details of the business segments are as follows:

| | **Services provision** | | **Trading operation** | | **Consolidated** | |
|---|---|---|---|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment revenue: | | | | | | |
| Sales to external customers | – | 2,233 | 67,190 | 32,159 | 67,190 | 34,392 |
| Segment results | – | (4,713) | 40 | 189 | 40 | (4,524) |
| Unallocated income | | | | | 3,135 | 4,405 |
| Unallocated expenses | | | | | (6,890) | (12,018) |
| | | | | | (3,715) | (12,137) |
| Finance costs | | | | | (30) | (291) |
| Share of loss of a jointly controlled entity | | | | | – | (53) |
| Loss before taxation | | | | | (3,745) | (12,481) |
| Taxation | | | | | – | – |
| Loss before minority interest | | | | | (3,745) | (12,481) |
| Minority interest | | | | | 5 | (56) |
| Net loss for the period/year | | | | | (3,740) | (12,537) |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. SEGMENT INFORMATION *(continued)*

**Business segments** *(continued)*

| | Services provision | | Trading operation | | Consolidated | |
|---|---|---|---|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Segment assets | – | 1,670 | 10,517 | 27,942 | 10,517 | 29,612 |
| Unallocated assets | | | | | 13,574 | 20,488 |
| Total assets | | | | | 24,091 | 50,100 |
| Segment liabilities | – | 667 | 9,656 | 27,092 | 9,656 | 27,759 |
| Unallocated liabilities | | | | | 1,473 | 4,486 |
| Total liabilities | | | | | 11,129 | 32,245 |
| Other segment information: | | | | | | |
| Depreciation and amortisation | – | 2,320 | – | – | – | 2,320 |
| Unallocated amounts | | | | | 1,085 | 69 |
| | | | | | 1,085 | 2,389 |
| Impairment losses recognised in the income statement | – | 2,703 | – | – | – | 2,703 |
| Unallocated amounts | | | | | – | – |
| | | | | | – | 2,703 |
| Capital expenditure | – | – | – | – | – | – |
| Unallocated amounts | | | | | 60 | – |
| | | | | | 60 | – |
| Other non-cash expenses | – | 729 | – | – | – | 729 |

## NOTES TO THE FINANCIAL STATEMENTS

### 4. SEGMENT INFORMATION *(continued)*

**Geographical segments**

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

| | Turnover | | Segment results | | Segment assets | | Capital expenditure | |
|---|---|---|---|---|---|---|---|---|
| | 1.10.2004 to 30.6.2005 | Year ended 30.9.2004 | 1.10.2004 to 30.6.2005 | Year ended 30.9.2004 | 1.10.2004 to 30.6.2005 | Year ended 30.9.2004 | 1.10.2004 to 30.6.2005 | Year ended 30.9.2004 |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| PRC | 14,964 | 22,812 | 9 | (3,274) | – | 307 | – | – |
| Hong Kong | – | 1,755 | – | (1,308) | 13,574 | 21,851 | 60 | – |
| South East Asia | 42,954 | 9,825 | 26 | 58 | 10,517 | 27,942 | – | – |
| Europe | 9,272 | – | 5 | – | – | – | – | – |
| | 67,190 | 34,392 | 40 | (4,524) | 24,091 | 50,100 | 60 | – |
| Unallocated income | | | 3,135 | 4,405 | | | | |
| Unallocated expenses | | | (6,890) | (12,018) | | | | |
| Loss from operations | | | (3,715) | (12,137) | | | | |

### 5. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and business tax. An analysis of turnover and other revenue is as follows:

| | The Group | |
|---|---|---|
| | 1.10.2004 to 30.6.2005 | Year ended 30.9.2004 |
| | *HK$'000* | *HK$'000* |
| Turnover | | |
| Sales of goods | 67,190 | 32,159 |
| Provision of services | – | 2,233 |
| | 67,190 | 34,392 |
| Other revenue | | |
| Interest income | 16 | 6 |
| Others | 309 | 11 |
| Rental income | – | 96 |
| Gain on redemption of convertible notes | – | 4,319 |
| | 325 | 4,432 |
| Exchange losses, net | (54) | (87) |
| | 271 | 4,345 |

## NOTES TO THE FINANCIAL STATEMENTS

### 6. DISCONTINUED OPERATIONS

On 4 March 2005, the Group disposed of its entire 100% equity interests in Aptus Group Limited ("AGL") and Aptus Medical Group Limited ("AMGL") to certain independent third parties for total consideration of HK$50,001. Upon completion of the disposal of AGL and AMGL, the Group discontinued its business in the provision of direct marketing, product consulting and sales force management services to pharmaceutical and healthcare companies and business in trading of pharmaceutical and healthcare products.

The turnover, other revenue, expenses and results of the discontinued operations for the period from 1 October 2004 to the date of discontinuance, which have been included in the consolidated financial statements are as follows:

| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| TURNOVER | – | 2,233 |
| Cost of sales | – | (175) |
| Gross profit | – | 2,058 |
| Other revenue | – | 8 |
| Administrative expenses | (460) | (6,782) |
| Other operating expenses | – | (2,703) |
| Loss on disposal of a jointly controlled entity | – | (2,789) |
| (Loss) gain on disposal of subsidiaries | (499) | 60 |
| LOSS FROM OPERATIONS | (959) | (10,148) |
| Finance costs | – | (4) |
| Share of loss of a jointly controlled entity | – | (53) |
| NET LOSS FOR THE PERIOD/YEAR | (959) | (10,205) |

The net cash flows from the discontinued operations are as follows:

| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Operating | (71) | (4,108) |
| Investing | (26) | 3,400 |
| Financing | – | (65) |
| | (97) | (773) |

The carrying amounts of the total assets and liabilities, relating to the discontinued operations are as follows:

| | **30.6.2005** | **30.9.2004** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Total assets | 1,265 | 1,690 |
| Total liabilities | (2,643) | (2,643) |
| Net liabilities of subsidiaries disposed of | (1,378) | (953) |

## NOTES TO THE FINANCIAL STATEMENTS

### 7. LOSS FROM OPERATIONS

| | The Group | |
|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Loss from operations has been arrived at after charging: | | |
| Staff cost (excluding directors' emoluments – note 9): | | |
| – Wages and salaries | 1,324 | 1,605 |
| – Retirement benefits scheme contributions | 65 | 19 |
| – Housing benefits | – | 409 |
| Total staff costs | 1,389 | 2,033 |
| Cost of inventories sold | 64,992 | 31,968 |
| Cost of services provided | – | 175 |
| Auditors' remuneration | 206 | 193 |
| Depreciation of property, plant and equipment | 464 | 2,320 |
| Impairment of property, plant and equipment | – | 2,703 |
| Amortisation of goodwill | 621 | 69 |
| Provision for doubtful debts | – | 619 |
| Provision for other deposits | – | 110 |
| Minimum lease payments under operating leases: | | |
| – Land and buildings | – | 1,551 |
| – Equipment | – | 47 |

### 8. FINANCE COSTS

| | The Group | |
|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Interest on: | | |
| bank and other borrowings wholly repayable within five years | 30 | 150 |
| convertible note | – | 137 |
| obligations under finance lease | – | 4 |
| | 30 | 291 |

## NOTES TO THE FINANCIAL STATEMENTS

### 9. DIRECTORS' EMOLUMENTS

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

| | **The Group** | |
|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Fees: | | |
| Executive | 48 | 4 |
| Independent non-executive | 104 | 119 |
| | 152 | 123 |
| Other emoluments: | | |
| Basic salaries, housing benefits, other allowances and benefits in kind | 2,195 | 1,507 |
| Contributions to retirement benefits scheme | 18 | 25 |
| | 2,213 | 1,532 |
| | 2,365 | 1,655 |

The executive directors, Madam Cheung Kwai Lan, Mr. Chan Ting and Mr. Fung King Him, Daniel, received individual emoluments of approximately HK$912,000 (year ended 30.9.2004: Nil), HK$1,018,000 (year ended 30.9.2004: HK$103,000) and HK$313,000 (year ended 30.9.2004: HK$33,000), respectively for the period ended 30 June 2005.

The independent non-executive directors, Mr. Tian He Nian, Mr. Zhao Zhi Ming, Mr. Tsui Wing Tak and Madam Qi Mei, received individual emoluments of approximately HK$62,000 (year ended 30.9.2004: Nil), HK$18,000 (year ended 30.9.2004: Nil), HK$18,000 (year ended 30.9.2004: HK$2,000) and HK$6,000 (year ended 30.9.2004: HK$2,000), respectively for the period ended 30 June 2005.

No director waived or agreed to waive any of their emoluments in respect of the period ended 30 June 2005 (year ended 30.9.2004: HK$784,000).

During the period, 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 (year ended 30.9.2004: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period included three (year ended 30.9.2004: two) directors, details of whose emoluments are set out in note 9 above. Details of the aggregate emoluments of the remaining two (year ended 30.9.2004: three) non-directors, highest paid employees are as follows:

| | The Group | |
|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Basic salaries, housing benefits, other allowances and benefits in kind | 544 | 629 |
| Contributions to retirement benefits scheme | 18 | 11 |
| | 562 | 640 |

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

During the period, 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 (year ended 30.9.2004: Nil).

### 11. TAXATION

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

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

| | The Group | |
|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Loss before taxation | (3,745) | (12,481) |
| Tax at the Hong Kong Profits Tax rate of 17.5% (2004: 17.5%) | (656) | (2,184) |
| Tax effect of expenses that are not deductible for tax purposes | 1,326 | 3,131 |
| Tax effect of unrecognised general provision for doubtful debts | 157 | (1,184) |
| Tax effect of income that is not taxable for tax purposes | (819) | (1,185) |
| Tax effect of tax losses not recognised | – | 1,556 |
| Tax effect of utilisation of tax losses previously not recognised | – | (122) |
| Tax effect of unrecognised accelerated tax allowances | (8) | (17) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | – | 5 |
| Tax expense | – | – |

## NOTES TO THE FINANCIAL STATEMENTS

### 11. TAXATION *(continued)*

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

| | The Group | |
|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Deductible temporary differences | | |
| Unutilised tax losses | 5,403 | 7,560 |
| Taxable temporary differences | | |
| Accelerated tax allowances | (39) | (623) |
| | 5,364 | 6,937 |

At the balance sheet date, the Group have unused tax losses of approximately HK$5,403,000 (year ended 30.9.2004: HK$7,560,000) 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 PERIOD/YEAR

The net loss for the period ended 30 June 2005 dealt with in the financial statements of the Company, was approximately HK$1,788,000 (year ended 30.9.2004: HK$10,689,000) (note 23(b)).

### 13. LOSS PER SHARE

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

| | The Group | |
|---|---|---|
| | **1.10.2004 to 30.6.2005** | **Year ended 30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Loss for the purposes of basic loss per share | 3,740 | 12,537 |
| **Number of shares** | | |
| | *'000* | *'000* |
| Weighted average number of ordinary shares for the purpose of basic loss per share | 1,547,155 | 709,595 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | 145,171 | 7,550 |
| Weighted average number of ordinary shares for the purpose of diluted loss per share | 1,692,326 | 717,145 |

## NOTES TO THE FINANCIAL STATEMENTS

### 14. PROPERTY, PLANT AND EQUIPMENT

| | **Leasehold improvements** | **Furniture and fixtures** | **Computer equipment** | **Total** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **THE GROUP** | | | | |
| COST | | | | |
| At 1 October 2004 | 2,119 | 1,421 | 15,458 | 18,998 |
| Additions | – | 42 | 18 | 60 |
| Disposal of subsidiaries | (2,119) | (1,421) | (15,458) | (18,998) |
| **At 30 June 2005** | – | 42 | 18 | 60 |
| DEPRECIATION | | | | |
| At 1 October 2004 | 2,119 | 1,274 | 14,242 | 17,635 |
| Provided for the period | – | 31 | 433 | 464 |
| Disposal of subsidiaries | (2,119) | (1,300) | (14,673) | (18,092) |
| **At 30 June 2005** | – | 5 | 2 | 7 |
| NET BOOK VALUES | | | | |
| **At 30 June 2005** | – | 37 | 16 | 53 |
| At 30 September 2004 | – | 147 | 1,216 | 1,363 |

At 30 June 2005, none of the Group's property, plant and equipment was held under finance lease (At 30 September 2004: HK$96,000).

| | **Furniture and fixtures** | **Computer equipment** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **THE COMPANY** | | | |
| COST | | | |
| Additions during the period and at 30 June 2005 | 42 | 18 | 60 |
| DEPRECIATION | | | |
| Provided for the period and at 30 June 2005 | 5 | 2 | 7 |
| NET BOOK VALUES | | | |
| **At 30 June 2005** | 37 | 16 | 53 |
| At 30 September 2004 | – | – | – |

## NOTES TO THE FINANCIAL STATEMENTS

### 15. GOODWILL

| | *HK$'000* |
|---|---|
| **THE GROUP** | |
| COST | |
| At 1 October 2004 and 30 June 2005 | 4,051 |
| AMORTISATION | |
| At 1 October 2004 | 69 |
| Provided for the year | 621 |
| **At 30 June 2005** | 690 |
| CARRYING VALUES | |
| **At 30 June 2005** | 3,361 |
| At 30 September 2004 | 3,982 |

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

### 16. INTERESTS IN SUBSIDIARIES

| | **The Company** | |
|---|---|---|
| | **30.6.2005** | **30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Unlisted shares, at cost | 4,000 | 4,000 |
| Amount due from subsidiaries | 23 | 895 |
| Amount due to subsidiaries | (17) | (4,600) |
| | 4,006 | 295 |

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

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

Particulars of the Company's principal subsidiaries as at 30 June 2005 are as follows:

| Name | Place of incorporation and operations | Nominal value of issued and paid-up share | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Good United Management Limited | British Virgin Islands | Ordinary US$1 | 100% | – | Investment holding |
| Top Entrepreneur Profits Limited | British Virgin Islands | Ordinary US$200 | 75% | – | Investment holding |
| B & B Natural Products (BVI) Limited | British Virgin Islands | Ordinary US$1 | – | 75% | Investment holding |
| Rapid Progress Profits Limited | British Virgin Islands | Ordinary US$8 | – | 56.25% | Investment holding |
| Hsing Long Trading Co. Pte. Ltd. | Singapore | Ordinary SGD100,000 | – | 70.31% | Distribution of natural supplementary foods |

### 17. ACCOUNTS RECEIVABLES

Accounts receivables, 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 receivables at the balance sheet dates, based on the date of goods delivered and services rendered, is as follows:

| | The Group | |
|---|---|---|
| | **30.6.2005** | **30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Within 90 days | 9,605 | 26,906 |

Subsequent to the balance sheet date, accounts receivable amounting to approximately HK$9,559,000 (30.9.2004: HK$26,906,000) as at 30 June 2005 have been settled by the Group's customers.

## NOTES TO THE FINANCIAL STATEMENTS

### 18. ACCOUNTS PAYABLES

| | The Group | |
|---|---|---|
| | **30.6.2005** | **30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Trade payables | 9,549 | 22,678 |

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

| | The Group | |
|---|---|---|
| | **30.6.2005** | **30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Within 90 days | 9,549 | 22,554 |
| 91 – 180 days | – | 124 |
| | 9,549 | 22,678 |

### 19. FINANCE LEASE PAYABLES

As at 30 June 2005, 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 | |
|---|---|---|---|---|
| | **30.6.2005** | **30.9.2004** | **30.6.2005** | **30.9.2004** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **THE GROUP** | | | | |
| Amounts payable: | | | | |
| Within one year | – | 15 | – | 14 |
| Total minimum finance lease payments | – | 15 | – | 14 |
| Future finance charges | – | (1) | | |
| Total net finance lease payables classified as current liabilities | – | 14 | | |

The lease was represented by certain computer equipment leased by a former subsidiary of the Group in the year 2003. The subsidiary was disposed of during the period and consequently the Group has no finance lease payable as at 30 June 2005.

## NOTES TO THE FINANCIAL STATEMENTS

### 20. BANK BORROWINGS

| | The Group | |
|---|---|---|
| | **30.6.2005** | **30.9.2004** |
| | *HK$'000* | *HK$'000* |
| Trust receipt loans, unsecured | – | 4,305 |

At 30 June 2005, the Group's bank borrowings are repayable as follows:

| | The Group | |
|---|---|---|
| | **30.6.2005** | **30.9.2004** |
| | *HK$'000* | *HK$'000* |
| On demand or within one year | – | 4,305 |

### 21. SHARE CAPITAL

| | *Notes* | **Number of shares** | *HK$'000* |
|---|---|---|---|
| *Authorised:* | | | |
| At 30 September 2004 and 30 June 2005, shares of HK$0.01 each | | 20,000,000,000 | 200,000 |
| *Issued and fully paid:* | | | |
| At 1 October 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)* | 738,095,238 | 7,381 |
| At 30 September 2004 | | 1,546,831,428 | 15,468 |
| Shares issued on exercise of options | *(Note 22)* | 3,325,000 | 33 |
| At 30 June 2005 | | 1,550,156,428 | 15,501 |

(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 Group Holdings 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

### 22. 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. All of these 47,500,000 share options were cancelled during the year ended 30 September 2004. During the period ended 30 June 2005 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.

**(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 period ended 30 June 2005 and year ended 30 September 2004, 154,680,000 and 60,000,000 Post-IPO Scheme Options, respectively were granted to certain eligible participants, which entitled them to subscribe for a total of 214,680,000 ordinary shares of the Company. During the period ended 30 June 2005, and up to the date of approval of these financial statements, 3,495,000 Post-IPO Scheme Options have been exercised.

## NOTES TO THE FINANCIAL STATEMENTS

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

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

Details of movements in the Company's Post-IPO Scheme held by eligible participants are as follows:

| 30.6.2005 Eligible participants | Date of grant | Exercise price* HK$ | Outstanding at 1/10/2004 | Granted during the period | Exercised during the period | Outstanding at 30/6/2005 | Exercise period of share options |
|---|---|---|---|---|---|---|---|
| | 1/11/2004 | 0.1006 | – | 154,680,000 | – | 154,680,000 | 1/11/2004 to 30/10/2009 |
| | 30/9/2004 | 0.147 | 19,250,000 | – | – | 19,250,000 | 30/9/2004 to 29/9/2009 |
| | 10/9/2004 | 0.08 | 40,750,000 | – | (3,325,000) | 37,425,000 | 10/9/2004 to 9/9/2009 |
| | | | 60,000,000 | 154,680,000 | (3,325,000) | 211,355,000 | |

* *The exercise price of the Post-IPO Scheme Options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.*

The exercise in full of the Post-IPO Scheme Options would, under the present capital structure of the Company, result in the issue of 211,355,000 additional ordinary shares of the Company at additional share capital of HK$2,113,550 and share premium of HK$19,271,008 (before issue expenses).

At 30 June 2005, the number of shares in respect of which option had been granted and remained outstanding under the scheme was 7.33% (30.9.2004: 3.9%) of the shares of the Company in issue at that date.

The closing price of the Company's shares on 1 November 2004, the date of grant of the share options, were HK$0.1.

| 30.9.2004 Directors and other eligible participants | Date of grant | Exercise price ** HK$ | Outstanding at 1/10/2003 | Granted during the year | Cancelled during the year | Outstanding at 30/9/2004 | Exercise period of share options |
|---|---|---|---|---|---|---|---|
| **Directors:** | | | | | | | |
| 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 |
| | | | 1,600,000 | – | (1,600,000) | – | |
| **Other eligible participants:** | | | | | | | |
| | 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 | 6,850,000 | – | (6,850,000) | – | N/A |
| | | | 8,450,000 | 60,000,000 | (8,450,000) | 60,000,000 | |

* *Former 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.*

## NOTES TO THE FINANCIAL STATEMENTS

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

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

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 period. 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.

### 23. RESERVES

#### (a) The Group

| | Translation reserve | Share premium account | Capital reserve* | Accu-mulated losses | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 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) |
| At 30 September 2004 | 7 | 55,175 | 17,240 | (70,148) | 2,274 |
| Share issued on exercise of options | – | 233 | – | – | 233 |
| Capital reserve realised on disposal of subsidiaries | – | – | (1,414) | – | (1,414) |
| Net loss for the period | – | – | – | (3,740) | (3,740) |
| **At 30 June 2005** | 7 | 55,408 | 15,826 | (73,888) | (2,647) |

* *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.*

## NOTES TO THE FINANCIAL STATEMENTS

**23. RESERVES** *(continued)*

**(b) The Company**

| | **Share premium account** *HK$'000* | **Capital reserve*** *HK$'000* | **Accu-mulated losses** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| At 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) |
| At 30 September 2004 | 55,175 | 15,826 | (71,552) | (551) |
| Share issued on exercise of options | 233 | – | – | 233 |
| Net loss for the period | – | – | (1,788) | (1,788) |
| **At 30 June 2005** | 55,408 | 15,826 | (73,340) | (2,106) |

* *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.*

## NOTES TO THE FINANCIAL STATEMENTS

### 24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

**(a) Acquisition of subsidiaries**

During the year ended 30 September 2004, the Company directly acquired 75% of the issued share capital of a subsidiary, Top Entrepreneur Profits Limited, and indirectly acquired 75%, 56.25% and 70.31% of the issued share capital of several subsidiaries, 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.

| | **1.10.2004 to 30.6.2005** *HK$'000* | **Year ended 30.9.2004** *HK$'000* |
|---|---|---|
| NET ASSETS ACQUIRED | | |
| Goodwill | – | 103 |
| Prepayments, deposits and other receivables | – | 13 |
| Bank balances and cash | – | 2,341 |
| Accounts payable | – | (257) |
| Accrued liabilities and other payables | – | (2,080) |
| Taxation | – | (11) |
| Minority interest | – | (57) |
| | – | 52 |
| Goodwill on acquisition | – | 3,948 |
| Total consideration | – | 4,000 |
| SATISFIED BY | | |
| Shares allotted | – | 4,000 |
| Net cash inflow arising on acquisition: | | |
| Bank balances and cash acquired | – | 2,341 |
| Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries | – | 2,341 |

The subsidiaries acquired during the year ended 30 September 2004 contributed approximately HK$32,159,000 to the Group's consolidated turnover and had a profit from operations of approximately HK$189,000 attributable to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

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

**(b) Disposal of subsidiaries**

As referred to in note 6, the Group discontinued its business in the provision of direct marketing; product consulting and sales force management services to pharmaceutical and healthcare companies and business in trading of pharmaceutical and healthcare products at the time of disposal of AGL and AMGL. The aggregated net assets of AGL and AMGL at the date of disposal were as follows:

| | **30.6.2005** | **30.9.2004** |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| NET LIABILITIES DISPOSED OF | | |
| Property, plant and equipment | 906 | – |
| Deposits and other receivables | 283 | – |
| Bank balances and cash | 76 | – |
| Accounts payables | (31) | – |
| Accrued liabilities and other payables | (2,075) | (60) |
| Finance lease payables | (14) | – |
| Tax payable | (523) | – |
| Net liabilities disposed | (1,378) | (60) |
| Capital reserve realised on disposed | (1,414) | – |
| Gain on disposal of subsidiaries | 2,842 | 60 |
| Total consideration | 50 | – |
| Satisfied by: | | |
| Cash | 50 | – |
| Net cash outflow arising on disposal of subsidiaries: | | |
| Cash consideration | 50 | – |
| Bank balances and cash disposed of | (76) | – |
| | (26) | – |

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

### 25. BANKING FACILITIES

As at 30 June 2005, the Group's banking facilities which consisted mainly of facilities on letter of credit, amounting to HK$101,400,000 (30.9.2004: HK$70,200,000) were secured by certain unconditional and irrevocable corporate guarantees.

## NOTES TO THE FINANCIAL STATEMENTS

### 26. OPERATING LEASE ARRANGEMENTS

**(a) As lessor**

At 30 June 2005, neither the Group, nor the Company had any significant future minimum lease receivables under non-cancellable operating leases (30.9.2004: Nil).

**(b) As lessee**

At 30 June 2005, neither the Group, nor the Company had any significant future minimum lease payments under non-cancellable operating leases (30.9.2004: Nil).

### 27. CAPITAL COMMITMENTS

At 30 June 2005, neither the Group, nor the Company had any significant capital commitments (30.9.2004: Nil).

### 28. CONTINGENT LIABILITIES

At 30 June 2005, neither the Group, nor the Company had any significant contingent liabilities (30.9.2004: Nil).

### 29. 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$83,000 (year ended 30.9.2004: HK$44,000) represents contributions payable to the MPF Scheme in respect of the current accounting period.

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.

### 30. 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 June 2005 (30.9.2004: Nil).

## NOTES TO THE FINANCIAL STATEMENTS

### 31. SHARE AWARD SCHEME

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.

### 32. VERY SUBSTANTIAL ACQUISITION

Pursuant to an announcement dated 22 June 2005, on 17 June 2005, a subsidiary of the Company had entered into an agreement with, among others, China United (International) Investment Development Limited for the acquisition of an aggregate of 70% equity interest in CNPC Investment for a total consideration of HK$15,000,000, pursuant to which HK$5,000,000 will be satisfied in cash and the balance of HK$10,000,000 will be satisfied by the issue of 20,000,000 new ordinary shares of HK$0.01 each in the capital of the Company.

CNPC Investment owns a joint mining right in Xin Jiang Oilfield.

Under the GEM Listing Rules, the agreement and the transactions contemplated therein constitute a very substantial acquisition for the Company and therefore needed to seek approval from its shareholders in the extraordinary general meeting.

### 33. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with current period's presentation.

## 3. INDEBTEDNESS

As at the close of business on 30 September 2005, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group did not have any outstanding borrowings. The banking facilities, amounting to approximately US$5 million, are guaranteed by the Group's ultimate holding company, B & B Group Holdings Limited.

As at 30 September 2005, save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of business, the Group did not have any debt securities issued and outstanding, or authorized/otherwise created but un-issued, any term loans (secured, unsecured, guaranteed or not), any other borrowing or indebtedness in the nature of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments (whether secured/unsecured, guaranteed or not), any mortgages and charges, any contingent liabilities or guarantees.

Foreign currency amounts have, for the purpose of this indebtedness statement, been translated into Hong Kong dollars at the applicable rate of exchange ruling at the close of business on 30 September 2005.

The Directors are not aware of any material changes in the Group's indebtedness and contingent liabilities since the close of business on 30 September 2005.

## 4. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the Group's present internal resources and available banking facilities, the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this circular.

## 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any adverse change in the financial or trading position of the Group since 30 June 2005 (being the date to which the latest published audited accounts of the Company were made up).

## 6. ACQUISITION OF BUSINESS OR SHARES

As at the Latest Practicable Date, no member of the Group had acquired or agreed to acquire or was proposing to acquire a business or an interest in the share capital of a company whose profits or assets made or would make a material contribution to the figures in the auditors' report or next published accounts of the Company since 30 September 2005, the date to which the latest published audited financial statements of the Company were made up.

## EXTRACT OF THE AUDITORS' REPORT FROM THE ANNUAL REPORT OF THE COMPANY FOR THE YEAR ENDED 30 SEPTEMBER 2003

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

We have audited the financial statements on pages 24 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

## RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## BASIS OF OPINION

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

An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. However, the evidence available to us was limited as follows:

### 1. Scope limitation – acquisition of a subsidiary

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

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

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

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

## FUNDAMENTAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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

**DISCLAIMER OF OPINION**

Because of the significance of each of the possible effects of the scope limitations in evidence available to us, as set out in points (1) and (2) under the basis of opinion section of this report, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 September 2003 and of the loss and the cash flows of the Group for the year then ended and as to whether the financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

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

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

*The following is the text of a report received from the reporting accountants of CNPC Investment, W.H. Tang & Partners CPA Limited, which is prepared for the purpose of incorporation in this circular.*

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

11 November 2005

*The Directors*
Aptus Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to CNPC Huayou CU Energy Investment Company Limited ("CNPC Investment") for each of the two periods from 30 April 2004 (the date of incorporation) to 31 December 2004 and 1 January 2005 to 30 June 2005 (the "Relevant Periods") for inclusion in the circular of Aptus Holdings Limited (the "Company") dated 11 November 2005 (the "Circular"), in connection with the acquisition of an aggregate of 70% equity interest in CNPC Investment.

CNPC Investment is a sino foreign co-operative joint venture enterprise established in the People's Republic of China (the "PRC") on 30 April 2004 and is principally engaging in the business of development and operation of crude oil, natural gas and other related projects.

The financial statements of CNPC Investment for the period from 30 April 2004 to 31 December 2004 have been prepared in accordance with accounting principles generally accepted in the PRC and audited by a CPA firm in the PRC. We have also carried out independent audit procedures with reference to Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the financial statements for this period.

No audited financial statements have been prepared for CNPC Investment for the six months ended 30 June 2005. For the purpose of this report, we have, however, carried out independent audit procedures with reference to Hong Kong Financial Reporting Standards issued by the HKICPA on the management accounts of CNPC Investment for the six months ended 30 June 2005.

The financial information as set out on pages 59 to 70 ("Financial Information") has been prepared based on the audited financial statements and management accounts, where appropriate, of CNPC Investment for the Relevant Periods. For the purpose of this report, we have examined the Financial Information and have carried out such additional procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of CNPC Investment are responsible for the Financial Information which gives a true and fair view. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of CNPC Investment as at 31 December 2004 and 30 June 2005, and of the results and cash flows of CNPC Investment for the Relevant Periods.

Yours faithfully,
**W.H. Tang & Partners CPA Limited**
Hong Kong

## I. FINANCIAL INFORMATION

### (a) Income Statement

| | Notes | 30 April to 31 December 2004 HK$ | 1 January to 30 June 2005 HK$ |
|---|---|---|---|
| Other revenue | 4 | 1,407 | 20,092 |
| Administrative expenses | | (1,194,317) | (1,508,571) |
| Loss from operations | 5 | (1,192,910) | (1,488,479) |
| Taxation | 8 | – | – |
| Net loss for the period | | (1,192,910) | (1,488,479) |

### (b) Balance Sheet

| | Notes | As at 31 December 2004 HK$ | As at 30 June 2005 HK$ |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 9 | 100,913 | 135,746 |
| Deposit for acquisition of plant and equipment | 10 | 11,792,453 | 11,792,453 |
| | | 11,893,366 | 11,928,199 |
| **Current assets** | | | |
| Amount due from a director | 11 | 129,600 | – |
| Prepayments, deposits and other receivables | 12 | 847,087 | 871,890 |
| Bank balances and cash | | 1,008,964 | 37,915 |
| | | 1,985,651 | 909,805 |
| **Current liabilities** | | | |
| Accrued liabilities and other payables | 13 | 26,738 | 474,204 |
| **Net current assets** | | 1,958,913 | 435,601 |
| **Total assets less current liabilities** | | 13,852,279 | 12,363,800 |
| **Capital and reserves** | | | |
| Paid up capital | 14 | 15,000,000 | 15,000,000 |
| Translation reserves | | 45,189 | 45,189 |
| Accumulated losses | | (1,192,910) | (2,681,389) |
| | | 13,852,279 | 12,363,800 |

### (c) Statements of Changes in Equity

| | Share capital | Translation reserves | Accumulated losses | Total |
|---|---|---|---|---|
| | *HK$* | *HK$* | *HK$* | *HK$* |
| At 30 April 2004 (date of incorporation) | – | – | – | – |
| Capital injection | 15,000,000 | – | – | 15,000,000 |
| Exchange differences arising from translation of share capital | – | 45,189 | – | 45,189 |
| Loss for the period | – | – | (1,192,910) | (1,192,910) |
| Total equity at 31 December 2004 | 15,000,000 | 45,189 | (1,192,910) | 13,852,279 |
| Loss for the period | – | – | (1,488,479) | (1,488,479) |
| Total equity at 30 June 2005 | 15,000,000 | 45,189 | (2,681,389) | 12,363,800 |

## (d) Cash Flow Statement

| | 30 April to 31 December 2004 HK$'000 | 1 January to 30 June 2005 HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Loss from operations | (1,193) | (1,488) |
| Adjustment for: | | |
| Interest income | (1) | (7) |
| Depreciation of property, plant and equipment | 8 | 12 |
| Operating cash flows before movements in working capital | (1,186) | (1,483) |
| Increase in prepayments, deposits and other receivables | (847) | (25) |
| Increase in deposit for acquisition of plant and equipment | (11,792) | – |
| (Increase) decrease in amount due from a director | (130) | 130 |
| Increase in accrued liabilities and other payables | 27 | 447 |
| Cash used in operations | (13,928) | (931) |
| Interest received | 1 | 7 |
| **NET CASH USED IN OPERATING ACTIVITIES** | (13,927) | (924) |
| **INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | (109) | (47) |
| **NET CASH USED IN INVESTING ACTIVITIES** | (109) | (47) |
| **FINANCING ACTIVITIES** | | |
| Issue of shares | 15,000 | – |
| **NET CASH GENERATED FROM FINANCING ACTIVITIES** | 15,000 | – |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 964 | (971) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | – | 1,009 |
| Effect of foreign exchange rate changes | 45 | – |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 1,009 | 38 |
| **ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| Bank balances and cash | 1,009 | 38 |

## II. NOTES TO THE FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

CNPC Investment is a sino foreign co-operative joint venture enterprise established in the PRC on 30 April 2004. There are two co-operative parties to CNPC Investment, namely China United (International) Investment Development Limited ("China United"), a limited company incorporated in Hong Kong, and China Hua You Group Corporation ("Hua You"), a company established in the PRC. China United is responsible for providing capital to CNPC Investment and is holding 100% of the equity interest and the right to the entire profit of CNPC Investment. Hua You is responsible for providing exploration and mining techniques and skills and for managing and operating the oilfields of CNPC Investment. It was agreed that Hua You would be entitled to management fee for CNPC investment's projects but would not be entitled to any equity interest nor right of profit sharing.

### 2. PRINCIPAL ACTIVITIES

The principal activities of CNPC Investment are the development and operation of crude oil, natural gas and other related projects.

No segmental information is presented since CNPC Investment did not carried out any business activities during the Relevant Periods.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

The Financial Information as set out in this report has been prepared in accordance with accounting principles generally accepted in Hong Kong. The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and under the historical cost convention.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Accounting Standards ("new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. CNPC Investment has not early adopted these new HKFRSs in the financial statements for the Relevant Periods. Based on an assessment of the impact of these new HKFRSs, no significant impact is considered on its results of operations and financial position.

**Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

**Impairment of assets**

An assessment is made at each balance sheet date, of whether there is any indication of impairment of any asset, or whether there is an indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the assets recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.

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

**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 assets to its working condition and location for its intended use. Expenditure incurred after the 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.

Depreciation is provided to write off the cost of 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.

**Cash and cash equivalents**

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

**Income tax**

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 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.

**Operating leases**

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Payments made under operating lease net of any incentives received from the lessor are charged to the income statement on a straight-line basis over the lease period.

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

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

– Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**Foreign currencies**

Transactions in foreign currencies are initially recorded at the rate of exchange prevailing on the dates of 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.

**Employee benefits**

The employees of the Company that operates in the People's Republic of China (the "PRC") are required to participate in central pension scheme operated by the local municipal government. It is 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 the Company. The only obligation of the Company 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.

## 4. OTHER REVENUE

| | **30 April to 31 December 2004** | **1 January to 30 June 2005** |
|---|---|---|
| | *HK$* | *HK$* |
| Interest income | 1,407 | 6,752 |
| Others | – | 13,340 |
| | 1,407 | 20,092 |

## 5. LOSS FROM OPERATIONS

| | **30 April to 31 December 2004** | **1 January to 30 June 2005** |
|---|---|---|
| | *HK$* | *HK$* |
| Loss from operations has been arrived at after charging: | | |
| Depreciation of property, plant and equipment | 7,674 | 12,620 |
| Operating leases of land and building | 346,418 | 121,881 |

## 6. EMPLOYEE BENEFIT EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

| | 30 April to 31 December 2004 | 1 January to 30 June 2005 |
|---|---|---|
| | *HK$* | *HK$* |
| Salaries and allowances | 94,206 | 423,011 |
| Social security funds | – | – |
| Other staff benefits | 10,594 | 45,361 |
| | 104,800 | 468,372 |

## 7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

### (a) Directors' emoluments

Details of the emoluments paid to the Directors of CNCP Investment are as follows:

| | 30 April to 31 December 2004 | 1 January to 30 June 2005 |
|---|---|---|
| | *HK$* | *HK$* |
| Fees | – | – |
| Salaries and allowances | 11,132 | 66,792 |
| | 11,132 | 66,792 |

The emoluments of the Directors of CNPC Investment fall within the following bands:

| | 30 April to 31 December 2004 | 1 January to 30 June 2005 |
|---|---|---|
| **Emoluments bands** | | |
| Nil to HK$1,000,000 | 5 | 5 |
| | 5 | 5 |

None of the Directors has waived the right to receive their emoluments.

## 7. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(continued)*

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in CNPC Investment included one (2004: one) Director, whose emoluments are reflected in note (a) above. The emoluments of the remaining four (2004: four) individuals are as follows:

| | **30 April to 31 December 2004** *HK$* | **1 January to 30 June 2005** *HK$* |
|---|---|---|
| Salaries and allowances | 46,768 | 138,113 |
| Other staff benefits | – | – |
| | 46,768 | 138,113 |

The emoluments of the five individuals of CNCP Investment fall within the following bands:

| | **30 April to 31 December 2004** | **1 January to 30 June 2005** |
|---|---|---|
| **Emoluments bands** | | |
| Nil to HK$1,000,000 | 5 | 5 |

## 8. TAXATION

No provision for taxation has been made as CNPC Investment has no assessable profits for the Relevant Periods.

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

| | **30 April to 31 December 2004** *HK$* | **1 January to 30 June 2005** *HK$* |
|---|---|---|
| Loss before taxation | (1,192,910) | (1,488,479) |
| Tax credit calculated at enacted tax rate of 15% | (178,936) | (223,272) |
| Tax exempted | 178,936 | 223,272 |
| Tax charge | – | – |

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures *HK$* | Computer equipment *HK$* | Total *HK$* |
|---|---|---|---|
| Cost | | | |
| Additions | 16,509 | 92,078 | 108,587 |
| At 31 December 2004 | 16,509 | 92,078 | 108,587 |
| Additions | – | 47,453 | 47,453 |
| At 30 June 2005 | 16,509 | 139,531 | 156,040 |
| Depreciation | | | |
| Charge for the period | 877 | 6,797 | 7,674 |
| At 31 December 2004 | 877 | 6,797 | 7,674 |
| Charge for the period | 1,486 | 11,134 | 12,620 |
| At 30 June 2005 | 2,363 | 17,931 | 20,294 |
| Net Book Values | | | |
| At 31 December 2004 | 15,632 | 85,281 | 100,913 |
| At 30 June 2005 | 14,146 | 121,600 | 135,746 |

## 10. DEPOSIT FOR ACQUISITION OF PLANT AND EQUIPMENT

CNPC Investment has entered into an agreement with 深圳市公平拍賣有限責任公司 on 10 December 2004 for the acquisition of several plant and equipment for the development of the Xin Jiang Feng Cheng Oilfield and the full amount of RMB12,500,000 was paid thereof. Up to the date of this report, no plant and machinery has been acquired in respect of this agreement.

## 11. AMOUNT DUE FROM A DIRECTOR

| | At 31 December 2004 *HK$* | At 30 June 2005 *HK$* |
|---|---|---|
| Mr. Li Tie | 129,600 | – |

The amount is unsecured, interest free and has no fixed terms of repayment.

## 12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | At 31 December 2004 *HK$* | At 30 June 2005 *HK$* |
|---|---|---|
| Prepayments | 639,424 | 68,522 |
| Deposits | 103,135 | 540,283 |
| Other receivables | 104,528 | 263,085 |
| | 847,087 | 871,890 |

## 13. ACCRUED LIABILITIES AND OTHER PAYABLES

| | At 31 December 2004 *HK$* | At 30 June 2005 *HK$* |
|---|---|---|
| Accrued liabilities | 13,340 | 1,422 |
| Other payables | 13,398 | 472,782 |
| | 26,738 | 474,204 |

Included in other payables at 30 June 2005 was an amount due to 上海中盛石油有限公司 ("中盛") amounted to RMB416,809 (approximately HK$393,216). CNPC Investment has entered into a service agreements with 中盛 on 11 March 2005 for the purpose of assisting 中盛 in a project of development of an oilfield. According to the service agreement, 中盛 would deposit an initial sum of RMB1,000,000 (approximately HK$943,396) into CNPC Investment as initial project development cost and a further sum as required in the future under mutual agreement. At 30 June 2005, RMB583,191 (approximately HK$550,180) had been expensed on the project development and the remaining balance was owing to 中盛 on that date.

## 14. PAID UP CAPITAL

| | At 31 December 2004 *HK$'000* | At 30 June 2005 *HK$'000* |
|---|---|---|
| Registered capital | 94,340 | 94,340 |
| Paid up capital | 15,000 | 15,000 |

The operating term of CNPC Investment is 20 years commencing from its establishment (i.e. the term will expire on 29 April 2024) and the registered capital and total investment amount of CNPC Investment amounted to RMB100,000,000 (approximately HK$94,339,623) and RMB200,000,000 (approximately HK$188,679,245) respectively. Out of the RMB100,000,000 registered capital, only RMB15,947,900 (approximately HK$15,000,000) has been paid up to the date of this report. Pursuant to the relevant approval granted by the PRC authority, the registered capital of CNPC Investment shall be paid up by China United within three years from the date of its establishment.

## 15. OPERATING LEASE COMMITMENTS

As at 31 December 2004 and 30 June 2005, CNPC Investment had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:–

| | At 31 December 2004 *HK$* | At 30 June 2005 *HK$* |
|---|---|---|
| Within one year | 73,386 | 347,454 |
| In the second to fifth year inclusive | 425,697 | – |
| | 499,083 | 347,454 |

Operating lease payments represent rentals payable by CNPC Investment for certain of its office premises. Leases are negotiated for the terms ranging from one month to two years.

## 16. CONTINGENT LIABILITIES

CNPC Investment had no material contingent liabilities at 31 December 2004 nor at 30 June 2005.

## 17. RELATED PARTY TRANSACTIONS

CNPC Investment had no significant related party transactions during the Relevant Periods.

## 18. FINANCIAL RISK MANAGEMENT

Financial assets of CNPC Investment mainly include cash and bank balances, prepayments, deposits and other receivables and long-term deposit for acquisition of plant and equipment. Financial liabilities of CNPC include accrued liabilities and other payables.

### (a) Business risk

The operations of crude oil and natural gas industry are substantially influenced by global political and economic development. Accidents, wars, natural disasters, etc. may have material impact on CNPC Investment or the industry as a whole. In addition, CNPC Investment conducts its principal operations in the PRC and accordingly is subject to special consideration and significant risks including political, economic and legal environment, and influence of the PRC government.

### (b) Price risk

CNPC Investment's results of operations may be significantly affected by the fluctuation of the crude oil prices which will be the major income category. Prices for crude oil are subject to wide fluctuations in response to relatively minor changes in the supply of and demand for oil, market uncertainty and a variety of additional factors that are beyond the Company's control.

**18. FINANCIAL RISK MANAGEMENT** *(continued)*

**(c) Foreign currency exchange risk**

Because the Hong Kong dollar is directly, and RMB is indirectly, linked to the value of the U.S. dollar, CNPC Investment does not expect fluctuations in the values of these currencies to have material impact on its operations or debt obligations. However, RMB's peg to the U.S. dollar has recently changed to a basket of foreign currencies including but not limited to U.S. dollar. The immediate effect on this change of foreign exchange policy on RMB to Hong Kong dollar is not material. CNPC Investment cannot be sure that for how long this foreign exchange policy will continue. Any further changes could have a material adverse effect on CNPC Investment's business, cash flows, financial condition, results of operations and prospects.

**(d) Fair value**

The fair value of cash and bank balances, prepayments, deposits and other receivables, deposit for acquisition of plant and equipment and accrued liabilities and other payables are not materially different from their carrying amounts because of the short maturities of these instruments.

## III. SUBSEQUENT EVENTS

On 17 June 2005, Good United Management Limited ("Good United"), a subsidiary of Aptus, has entered into an acquisition agreement with, among others, China United for the acquisition of an aggregate of 70% equity interest in CNPC Investment. Thereafter, on 9 August 2005, Good United has entered into a supplemental agreement with, among others, China United to amend certain terms of the Agreement. As a result of the supplemental agreement, HK$1,000,000 was paid to China United and others as part of the cash consideration on 10 August 2005. Details of the acquisition and supplemental agreement are disclosed in the announcements of the Company on 22 June 2005 and 10 August 2005 respectively.

## IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by CNPC Investment in respect of any period subsequent to 30 June 2005. In addition, no dividend or distribution has been declared, made or paid by CNPC Investment in respect of any period subsequent to 30 June 2005.

*The following is the letter, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants, W.H. Tang & Partners CPA Limited.*

鄧偉雄會計師事務所有限公司

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

11 November 2005

*The Directors*
Aptus Holdings Limited
30th Floor, Sunshine Plaza
No. 353 Lockhart Road
Hong Kong

Dear Sirs,

We report on the pro forma financial statements of unaudited pro forma consolidated income statement, consolidated balance sheet and consolidated cash flow statement ("Pro Forma Financial Information") of Aptus Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") and CNPC Huayou CU Energy Investment Company Limited (together with the Group hereinafter collectively referred to as the "Enlarged Group") set out in Appendix III "Financial Information on the Enlarged Group" to the circular dated 11 November 2005 (the "Circular") in connection with the very substantial acquisition involving the acquisition of 70% equity interest in CNCP Huayou CU Energy Investment Company Limited (the "Acquisition"), which has been prepared, for illustrative purposes only, to provide information about how the Acquisition might have affected the financial information presented.

**RESPONSIBILITIES**

It is the responsibility solely of the Directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules").

It is our responsibility to form an opinion, as required by paragraph 31(7) of the Chapter 7 of the GEM Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

**BASIS OF OPINION**

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the Directors of the Company.

Our work does not constitute an audit or a review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the unaudited Pro Forma Financial Information.

The unaudited Pro Forma Financial Information has been prepared on the basis set out in Appendix III to the Circular for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Enlarged Group at 30 June 2005 or at any future date and result and cash flows of the Enlarged Group for the period ended 30 June 2005 or any future period.

**OPINION**

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the Directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,
**W.H. Tang & Partners CPA Limited**
*Certified Public Accountants*
Hong Kong

## PRO FORMA FINANCIAL INFORMATION

### 1. UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The following table is an illustrative unaudited pro forma consolidated income statement of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Acquisition had been completed on 1 October 2004.

The unaudited pro forma consolidated income statement of the Enlarged Group is prepared as if the Acquisition has been completed on 1 October 2004 and is based on the audited profit and loss account of CNPC Investment for the six months period ended 30 June 2005 as extracted from the accountants' report of CNPC Investment as set out in Appendix II to this circular, and the audited consolidated income statement of the Group for the period ended 30 June 2005 as extracted from its Annual Report for the period ended 30 June 2005, and after making certain pro forma adjustments as set out below.

The unaudited pro forma consolidated income statement of the Enlarged Group has been prepared to provide the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed on 1 October 2004. As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the results of the Enlarged Group for the financial period in respect of which it is prepared or for any future financial periods.

| | The Group – 1.10.2004 to 30.6.2005 | CNPC Investment – 1.1.2005 to 30.6.2005 | Pro forma adjustments | | Pro forma Enlarged Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *Notes* | *HK$'000* |
| **TURNOVER** | 67,190 | – | | | 67,190 |
| Cost of sales | (64,992) | – | | | (64,992) |
| Gross profit | 2,198 | – | | | 2,198 |
| Other revenue | 271 | 20 | | | 291 |
| Selling and distribution costs | (1,689) | – | | | (1,689) |
| Administrative expenses | (7,337) | (1,508) | (800) | *2* | (9,645) |
| Gain on disposal of subsidiaries | 2,842 | – | | | 2,842 |
| **LOSS FROM OPERATIONS** | (3,715) | (1,488) | | | (6,003) |
| Finance costs | (30) | – | | | (30) |
| **LOSS BEFORE TAXATION** | (3,745) | (1,488) | | | (6,033) |
| Taxation | – | – | | | – |
| **LOSS BEFORE MINORITY INTEREST** | (3,745) | (1,488) | | | (6,033) |
| Minority interest | 5 | – | 447 | *1* | 452 |
| **NET LOSS FOR THE PERIOD** | (3,740) | (1,488) | | | (5,581) |

*Notes:*

1. The adjustment reflects share of net loss for the period of CNPC Investment by minority shareholders holding 30% of the equity interest in CNPC Investment.

2. The adjustment reflects the estimated professional fees incurred for the Acquisition. The Company does not intend to capitalise such amount as part of investment cost in view of the immaterial amount involved.

## 2. UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following table is an illustrative unaudited pro forma consolidated balance sheet of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Acquisition had been completed on 30 June 2005.

The unaudited pro forma consolidated balance sheet of the Enlarged Group is prepared as if the acquisition has been completed on 30 June 2005 and is based on the audited balance sheet of CNPC Investment as at 30 June 2005 as extracted from the accountants' report of CNPC Investment as set out in Appendix II to this circular, and the audited consolidated balance sheet of the Group as at 30 June 2005 as extracted form its Annual Report for the period ended 30 June 2005, and after making certain pro forma adjustments as set out below.

The unaudited pro forma consolidated balance sheet of the Enlarged Group has been prepared to provide the unaudited pro forma financial information on the Enlarged Group as if the Acquisition had been completed on 30 June 2005. As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2005 or at any future date.

| | The Group – At 30.6.2005 *HK$'000* | CNPC Investment – At 30.6.2005 *HK$'000* | Pro forma adjustments *HK$'000* | *Notes* | Pro forma Enlarged Group *HK$'000* |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 53 | 136 | | | 189 |
| Investment in subsidiaries | – | – | – | *4* | – |
| Goodwill | 3,361 | – | 5,303 | *5* | 8,664 |
| Deposit for acquisition of plant and equipment | – | 11,792 | | | 11,792 |
| | 3,414 | 11,928 | | | 20,645 |
| **CURRENT ASSETS** | | | | | |
| Accounts receivables | 9,605 | – | | | 9,605 |
| Prepayments, deposits and other receivables | 117 | 872 | | | 989 |
| Bank balances and cash | 10,955 | 38 | (5,000) | *4* | 5,993 |
| | 20,677 | 910 | | | 16,587 |
| **CURRENT LIABILITIES** | | | | | |
| Accounts payables | 9,549 | – | | | 9,549 |
| Accrued liabilities and other payables | 1,575 | 474 | 800 | *7* | 2,849 |
| Taxation | 5 | – | | | 5 |
| | 11,129 | 474 | | | 12,403 |
| **NET CURRENT ASSETS** | 9,548 | 436 | | | 4,184 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | 12,962 | 12,364 | | | 24,829 |
| **MINORITY INTEREST** | (108) | – | (3,708) | *6* | (3,816) |
| **NET ASSETS** | 12,854 | 12,364 | | | 21,013 |
| **CAPITAL AND RESERVES** | | | | | |
| Share capital | 15,501 | 15,000 | (5,000) | *4* | 25,501 |
| Reserves | (2,647) | (2,636) | 795 | *4* | (4,488) |
| **SHAREHOLDERS' FUNDS** | 12,854 | 12,364 | | | 21,013 |

*Notes:*

1. The Hong Kong Institute of Certified Public Accountants has issued a number of new or revised Hong Kong Financial Reporting Standards and Accounting Standards ("new HKFRSs"), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the period ended 30 June 2005 on which the above unaudited pro forma financial information has been prepared. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position. Accordingly, these new HKFRSs might have a significant impact on the above unaudited pro forma financial information.

2. The existing and new HKFRS requires the Consideration Shares be recorded in the financial statements at their fair values at the completion date of the Acquisition and all the fair values of identifiable assets and liabilities (including intangible assets and contingent liabilities) be assessed at the completion date of the Acquisition. Hence, any changes in their fair values will be assessed at the completion date of the Acquisition. The difference between the cost of the Acquisition and the net attributable fair value of the identifiable assets and liabilities so recognised will be accounted for as goodwill, or negative goodwill, if any, as the case may be. If the fair value of the Consideration Shares increased, the cost of the Acquisition would also increase, thereby resulting in goodwill. If the fair value of the Consideration Shares decreased, the cost of the Acquisition would also decrease, thereby resulting in a negative goodwill.

   Any goodwill arising from the Acquisition will be recognised as an asset at cost, subject to annual impairment review in subsequent year and any impairment will have to be recognised as an expense in the profit and loss statement in the year it arises. If the net fair value of all identifiable assets and liabilities (including intangible assets and contingent liabilities) exceeds the cost of Acquisition, the net fair value will have to be reassessed and any excess remaining will be credited to the profit and loss statement as "other revenues" in the year of the Acquisition after reassessment.

3. Upon completion of the Acquisition, the Group will apply the purchase method to account for the acquisition in the consolidated accounts of the Enlarged Group. In applying the purchase method, the identifiable assets and liabilities of CNPC Investment will be accounted for on the balance sheet of the Enlarged Group at their fair value at the completion date. Any goodwill or negative goodwill arising on the acquisition will be determined as the excess or deficit of the purchase consideration incurred by the Group over the Group's interests in the fair value of CNPC Investment at the completion date.

   For the purpose of preparing the unaudited pro forma balance sheet of the Enlarged Group, the fair value of CNPC Investment as at 31 December 2004 are applied in calculating the estimated goodwill arising from the acquisition. Since the fair value of CNPC Investment at the completion date may be substantially different from their fair value as at 31 December 2004, the actual goodwill arising from the acquisition may be different from the estimated goodwill as shown above.

4. The adjustment reflects the Acquisition at the purchase price of HK$15,000,000, which will be satisfied by the allotment and issue of 20,000,000 Consideration Shares credited as fully paid and HK$5,000,000 in cash. The Consideration Shares are recorded at the agreed issue price of HK$0.50 per share. However, the existing and new HKFRS requires the Consideration Shares be recorded in the financial statements at their fair value at the completion date of the Acquisition as discussed in note 2 above.

   In preparing the above unaudited pro forma balance sheet, the purchase price of HK$15,000,000 has been debited as cost of investment in subsidiaries but immediately eliminated with the HK$15,000,000 registered capital of CNPC Investment.

5. The adjustment reflects goodwill arising from the acquisition amounting to HK$5,303,000.

6. The adjustment reflects the 30% minority interest in CNPC Investment not acquired by the Group, amounting to HK$3,708,000.

7. The adjustment reflects the accrued professional fees of HK$800,000 in respect of the Acquisition.

## 3. UNAUDITED PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following table is an illustrative unaudited pro forma consolidated cash flow statement of the Enlarged Group which has been prepared on the basis set out below for the purpose of illustration as if the Acquisition had been completed on 1 October 2004.

The unaudited pro forma consolidated cash flow statement of the Enlarged Group is prepared as if the Acquisition has been completed on 1 October 2004 and is based on the audited cash flow statement of CNPC Investment for the six months period ended 30 June 2005 as extracted from the accountants' report of CNPC Investment as set out in Appendix II to this circular and the audited consolidated cash flow statement of the Group for the period ended 30 June 2005 as extracted form its Annual Report for the period ended 30 June 2005, and after making certain pro forma adjustments as set out below.

The unaudited pro forma consolidated cash flow statement has been prepared to provide the unaudited pro forma financial information on the Enlarged Group as if the Acquisition had been completed on 1 October 2004. As it has been prepared for illustrative purpose only and because of its nature, it may not give a true picture of the cash flows of the Enlarged Group for the period ended 30 June 2005 and any future financial periods.

| | The Group – 1.10.2004 to 30.6.2005 *HK$'000* | CNPC Investment – 1.1.2005 to 30.6.2005 *HK$'000* | Pro forma adjustments *HK$'000* | *Notes* | Pro forma Enlarged Group *HK$'000* |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Loss before taxation | (3,745) | (1,488) | | | (5,233) |
| Adjustment for: | | | | | |
| Interest income | (16) | (7) | | | (23) |
| Finance costs | 30 | – | | | 30 |
| Gain on disposal of subsidiaries | (2,842) | – | | | (2,842) |
| Depreciation of property, plant and equipment | 464 | 12 | | | 476 |
| Amortisation of goodwill | 621 | – | | | 621 |
| Operating cash flows before movements in working capital | (5,488) | (1,483) | | | (6,971) |
| Decrease in accounts receivables | 17,301 | – | | | 17,301 |
| Increase in prepayments, deposits and other receivables | (122) | (25) | | | (147) |
| Decrease in amount due from a director | – | 130 | | | 130 |
| Decrease in accounts payables | (13,098) | – | | | (13,098) |
| (Decrease) increase in accrued liabilities and other payables | (1,064) | 447 | | | (617) |
| Cash used in operations | (2,471) | (931) | | | (3,402) |
| Interest received | 16 | 7 | | | 23 |
| Interest paid | (30) | – | | | (30) |
| Overseas taxation paid | (6) | – | | | (6) |
| **NET CASH USED IN OPERATING ACTIVITIES** | (2,491) | (924) | | | (3,415) |
| **INVESTING ACTIVITIES** | | | | | |
| Purchases of property, plant and equipment | (60) | (47) | | | (107) |
| Proceeds from disposal of subsidiaries | (26) | – | | | (26) |
| **NET CASH USED IN INVESTING ACTIVITIES** | (86) | (47) | | | (133) |

| | The Group – 1.10.2004 to 30.6.2005 | CNPC Investment – 1.1.2005 to 30.6.2005 | Pro forma adjustments | | Pro forma Enlarged Group |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *Notes* | *HK$'000* |
| **FINANCING ACTIVITIES** | | | | | |
| Issue of shares | 266 | – | | | 266 |
| Decrease in trust receipt loans | (4,305) | – | | | (4,305) |
| **NET CASH USED IN FINANCING ACTIVITIES** | (4,039) | – | | | (4,039) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | (6,616) | (971) | | | (7,587) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD** | 17,571 | 1,009 | (5,000) | *1* | 13,580 |
| **CASH AND CASH EQUIVALENTS AT END OF THE PERIOD** | 10,955 | 38 | | | 5,993 |
| **ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS** | | | | | |
| Bank balances and cash | 10,955 | 38 | | | 5,993 |

*Note:* The adjustment represents the payment of purchase price of HK$15,000,000 satisfied by cash amounting to HK$5,000,000 as if the Acquisition had been completed on 1 October 2004.

## 4. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE ENLARGED GROUP

The following is the statement of unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group prepared to demonstrate the effect of the Acquisition on the net tangible assets of the Group as if the Acquisition had been completed as at 30 June 2005. The unaudited pro forma adjusted consolidated net tangible assets were prepared based on the unaudited pro forma consolidated balance sheet of the Enlarged Group as at 30 June 2005, as set out in section 2 of this appendix.

The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Aptus Share of the Enlarged Group have been prepared for illustrative purposes only and because of its nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2005 and any future financial periods.

| Unaudited pro forma consolidated net assets of the Enlarged Group as at 30 June 2005 | Less: Pro forma total consolidated intangible assets of the Enlarged Group after acquisition | Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group | Consolidated net tangible assets per Aptus Share before Acquisition | Unaudited pro forma adjusted consolidated net tangible assets per Aptus Share after Acquisition |
|---|---|---|---|---|
| *HK$'000* | *HK$'000* | *HK$'000* | *HK$* | *HK$* |
| | *(note 1)* | | *(note 2)* | *(note 3)* |
| 21,013 | 8,664 | 12,349 | 0.61 cent | 0.79 cent |

*Note:*

1. The total intangible assets of the Enlarged Group included the intangible assets of the Group, being acquired goodwill with carrying values of HK$3,361,000 based on the Annual Report of the Group for the year ended 30 June 2005, and the intangible assets arising from Acquisition amounting to HK$5,303,000 as set out in note 5 of section 2 in this appendix.

2. The consolidated net tangible assets per Aptus Share before Acquisition is calculated based on the net tangible assets of HK$9,493,000 according to the audited balance sheet of the Group as at 30 June 2005, and the 1,550,156,428 Aptus Shares in issue as at that date.

3. The unaudited pro forma adjusted consolidated net tangible assets per Aptus Share after Acquisition is calculated based on the unaudited pro forma adjusted consolidated net tangible assets of HK$12,349,000 as set out in section 4 above on the basis of 1,570,156,428 Aptus Shares, being the 1,550,156,428 Aptus Shares in issue as at 30 June 2005 together with the 20,000,000 Consideration Shares to be issued under the Acquisition.

Information and Technology Development Company under China Offshore Enterprise
中海實業信息技術開發公司

11 November 2005

The Directors
Aptus Holdings Limited
30th Floor
Sunshine Plaza
353 Lockhart Road
Hong Kong

In accordance with the instructions by Aptus Holdings Limited, Information and Technology Development Company under China Offshore Enterprise (中海實業信息技術開發公司) ("ITDC") has conducted a study of Nos. 1, 32 and 43 Heavy Oil Blocks of 新疆風城油田 (Xin Jiang Feng Cheng Oilfield) ("Xin Jiang Oilfield") where CNPC Huayou CU Energy Investment Co. Ltd. and China National Petroleum Corporation XinJiang Petroleum Management Bureau have a jointly-owned mining right.

The study is carried out by a team of experienced professional engineers, geologists and geophysicsts of ITDC. The major experts include Mr. Yang Jiaming, Ms Yu Shumin, Mr. Zhu Dazhi, Mr. Li Xiwen, Ms. Wang Xiuwen and Mr. Du Xu of ITDC.

ITDC declared that we do not have any direct or indirect interest in Xin Jiang Oilfield and we do not have consideration passing to and from the Group or any of its subsidiaries in relation to the subject oil blocks acquired by the Group.

## 1. QUALIFICATIONS OF ITDC

ITDC is an organization specializing in oil and gas exploration and reserve research. Pursuant to the re-structuring of China National Offshore Oil Corporation (CNOOC) in 2003, ITDC was transferred on an intra-group basis from CNOOC Research Centre (a subsidiary of CNOOC) to China Offshore Enterprise (中海實業) (both of them are subsidiaries of CNOOC).

ITDC forms part of the scientific and technology research team of CNOOC with its headquarters based in Beijing and two branch offices in Gaobeidian, Hebei Province (the former petroleum exploration research centre of CNOOC Research Centre) and in Beijing (the former development design institute of

CNOOC Research Centre). It has provided technical supports to various CNOOC's oil and natural gas exploration projects. Some of the oil and natural gas projects undertaken by ITDC for listed companies are set out below:

| Name of Project | Location | Year | Client |
|---|---|---|---|
| Bozhong (渤中) 34 – 1 Oil Field | China | 2003 | CNOOC |
| Jinzhou (錦州) 25 – 1S Oil Field | China | 2003 | CNOOC |
| Weizhou (潿洲) 11 – 1N Oil Field | China | 2003 | CNOOC |
| Panyu (番禺) 30 – l Natural Gas Field | China | 2003 | CNOOC |
| Wenchang (文昌) 15 – 1 Oil Field | China | 2003 | CNOOC |
| Luda (旅大) 27 – 2 Oil Field | China | 2004 | CNOOC |
| Huizhou (惠州) 26 – 3 Oil Field | China | 2004 | CNOOC |
| Panyu (番禺) 34 – 1 Oil and Natural Gas Field | China | 2004 | CNOOC |
| Weizhou (潿洲) 12 – 8 Oil Field | China | 2004 | CNOOC |
| TAMTSAG 19 Oil Field | Mongolia | 2004 | SOCO |
| Bozhong (渤中) 19 – 4 Oil Field | China | 2005 | CNOOC |
| Chunxiao(春曉) Oil Field | China | 2005 | CNOOC |
| Yacheng (崖城) 13 – 1 Oil and Natural Gas Field | China | 2005 | CNOOC |
| Project OPL246 Oil Field | Nigeria | 2005 | CNOOC |

*Notes:*

1. CNOOC – CNOOC Limited (listing in both the New York Stock Exchange and the Hong Kong Exchange and Clearing Limited).

2. SOCO – SOCO International Plc (listing in the London Stock Exchange).

3. Consultancy services for the above projects included reserve investigation, conceptual design on drilling, assessment on risk factors for drilling, economic evaluation on drilling engineering.

## 2. GENERAL GEOGRAPHIC AND GEOLOGIC ENVIRONMENTS

### 2.1 Geographic Location of Xin Jiang Oilfield

Xin Jiang Oilfield is located in the northwestern rim of Junggar Basin of Xinjiang province, 120km east to Karamay City. The oil field bounds with Wulaalate Mountain at the north, Xia Zi Street at the east, and is nearby Wu Er He Town Sand dunes and gullies are scattering within the oilfield. Ground elevation of this area is 280m to 530m. The Du A National Highway is situated across the oilfield and the internal accesses within the oilfield are well connected (see Fig 1, Fig 2).

## 2.2 Geographic Location of Nos. 1, 43 and 32 Heavy Oil Blocks within Xin Jiang Oilfield

The total area of No. 1 and No. 43 Heavy Oil Blocks of Xin Jiang Oilfield is 9.4984 km$^2$ which is delimited by 18 inflexion points of co-ordinates (see Fig 10 and Table 1).

**Table 1 Unit Inflection Points of Co-ordinates in No. 1 and No. 43 Heavy Oil Blocks**

| No. | East longitude | North Latitude | No. | East longitude | North Latitude |
|---|---|---|---|---|---|
| 1 | 85.4635 | 46.0946 | 10 | 85.4922 | 46.0856 |
| 2 | 85.4752 | 46.0946 | 11 | 85.4922 | 46.0800 |
| 3 | 85.4752 | 46.0958 | 12 | 85.4808 | 46.0800 |
| 4 | 85.4957 | 46.0958 | 13 | 85.4808 | 46.0812 |
| 5 | 85.4957 | 46.0933 | 14 | 85.4741 | 46.0812 |
| 6 | 85.4922 | 46.0933 | 15 | 85.4741 | 46.0836 |
| 7 | 85.4922 | 46.0917 | 16 | 85.4741 | 46.0836 |
| 8 | 85.4844 | 46.0917 | 17 | 85.4741 | 46.0917 |
| 9 | 85.4844 | 46.0856 | 18 | 85.4635 | 46.0917 |

The area of No. 32 Heavy Oil Block of Xin Jiang Oilfield is 9.7781 km$^2$ which is delimited by 18 inflection points of co-ordinates (Fig 11 and Table 2).

**Table 2 Unit Inflection Points of Co-ordinates in No. 32 Heavy Oil Block**

| No. | East longitude | North Latitude | No. | East longitude | North Latitude |
|---|---|---|---|---|---|
| 1 | 85.4044 | 46.0905 | 10 | 85.4548 | 46.1011 |
| 2 | 85.4057 | 46.0905 | 11 | 85.4548 | 46.0952 |
| 3 | 85.4057 | 46.0950 | 12 | 85.4432 | 46.0952 |
| 4 | 85.4252 | 46.0950 | 13 | 85.4432 | 46.0932 |
| 5 | 85.4252 | 46.1025 | 14 | 85.4309 | 46.0932 |
| 6 | 85.4413 | 46.1025 | 15 | 85.4309 | 46.0915 |
| 7 | 85.4413 | 46.1040 | 16 | 85.4153 | 46.0915 |
| 8 | 85.4630 | 46.1040 | 17 | 85.4153 | 46.0855 |
| 9 | 85.4630 | 46.1011 | 18 | 85.4040 | 46.0855 |

## 2.3 Proven and Probable Reserves

Xin Jiang Oilfield was discovered in the 1960s and it is still under exploration. The oil field has over 40-year exploration history. 40 wells have been drilled and the pilot thermal recovery has been completed. In 1992, the proven oil-bearing areas of Qigu formation in No. 1 Heavy Well Block and Badaowan formation in No. 43 Heavy Oil Block are 2.7km$^2$ and 3.8km$^2$ respectively, and their reserves are 1536 x 10$^4$t (IP) and 594 x 10$^4$t (IP). So far, only explorations have been carried out but mining and production have not commenced in Xin Jiang Oilfield.

In 1994, the proven oil-bearing areas of Qigu formation in No. 32 Heavy Oil Block is 4.4km$^2$, its geological reserve is 977 x 10$^4$t (IP). All of the above data have been approved by National Reserves Committee in China. Therefore, the overall proven oil-bearing area of Nos. 1, 43 and 32 Heavy Oil Block of Xin Jiang Oilfield is 10.9km$^2$ and the total geological reserve is 3107 x 10$^4$t (IP) (see Table 3). The principal product of Nos. 1, 32 and 43 Heavy Oil Blocks is Heavy oil.

**Table 3 Proven Oil Reserves in Xin Jiang Oilfield**

| Item / Blocks | Formation | Area (km$^2$) | Effective Pay Thickness (m) | Geological Reserve (IP) ($\times$ 10$^4$t) | Reserve Abundance (10$^4$t/km$^2$) |
|---|---|---|---|---|---|
| No. 1 Heavy Oil Block | $J_3q$ | 2.7 | 30.2 | 1,536 | 568.9 |
| No. 43 Heavy Oil Block | $J_3b$ | 3.8 | 9.5 | 594 | 156.3 |
| No. 32 Heavy Oil Block | $J_3q$ | 4.4 | 11.3 | 977 | 222.0 |
| **Total** | – | **10.9** | – | **3,107** | – |

## 2.4 Formation and Structure

Xin Jiang Oilfield is located at the north rim of the basin, with structure of regionally monocline to south and dip 4°~7°. The No. 32 Heavy Oil Block is a faulted block cut by thrust with NWW directions while both No.1 and No.43 Heavy Oil Blocks are of fault nose structure slightly (see Fig 3 and Fig 4).

The basement of Fengcheng area is metamorphic rock in Paleozoic and is covered with Jurassic and Cretaceous system sediment.

*2.4.1 Jurassic System*

The Badaowan, Sangonghe and Qigu formations are formed through a depositional cycle in ascending order in Lower Jurassic System. The subject oil blocks are mainly situated in the Badaowan and Qigu formations.

**Badaowan formation** ($J_1b$) is a positive cycle sedimentation from coarse at the bottom to fine on the top vertically. The massive sandstone in the lower part is the major pay zone of No. 43 Heavy Oil Block, while its upper part with gray mudstone is intermingled with sandstone.

**Sangonghe formation** ($J_1s$) is a set of mudstone with light-lake facies in celadon and gray color, which is found only in No. 43 Heavy Oil Block, and was truncated by Qigu formation in No. 1 and No. 32 Heavy Oil Blocks (see Fig 5).

**Qigu formation** ($J_3q$) mainly consists of massive sand stone intermingled with thin mudstone. It is the major reservoir of No.1 and No.32 Heavy Oil Blocks which overlaps the two Oil Blocks directly. For the area where No. 43 Heavy Oil Block overlaps Sangonghe formation there is a lack of Miocene of Jurassic System.

*2.4.2 Tugulu Formation (K1tg)*

This formation comprises alternating layers with varying thickness in red mudstone and celadon sandstone. It directly overlaps above the Qigu formation in No. 1 and No. 32 Heavy Oil Blocks.

*2.4.3 Reservoir Lithology, Strata Thickness and Fluid Characteristics*

Qigu formation is the main reservoir for both No.1 and No. 32 Heavy Oil Blocks. It consists of gray fine sandstone, intermediate to gross sandstone, conglomerate and gray mudstone with positive cycle sedimentation. Based on the lithology and depositional cycle features of Qigu formation, it can be vertically divided in descending order 3 sandstone group, namely G1, G2 and G3, in which G2 sandstone group is the most stable and major pay zone. The formation thickness and buried depth are shown in Table 4 (see Fig.6).

**Table 4 Formation Thickness and Burial Depth of Qigu formation in Nos. 1, 43 and 32 Heavy Oil Blocks**

| Item / Oil Block | Formation Thickness (m) | Average Burial Depth (m) |
|---|---|---|
| No. 1 Heavy Oil Block | 80~100 | 270 |
| No. 43 Heavy Oil Block | 100~220 | 280~340 |
| No. 32 Heavy Oil Block | 40~80 | 190 |

Badaowan formation is the major oil pay zone in No. 43 Heavy Oil Block. Its thicknesses range from 30m to 50m, with an average burial depth of 410m in the middle layer. It is mainly medium to fine sandstone for its lithology. $J_1b^5$ of this formation is the most stable sandstone group with thickness of about 20~25m (see Fig. 7).

As shown from the statistics, 90% of the oil-contained and saturated oil-contained grain of $J_3q^2$ (G2) sandstone group (the major pay zone of Qigu formation) comprises medium to fine sandstone which their main components are quartzite and feldspar, sorting from fine to middle, mainly cemented in terms of contacting and pore. The shale content of the sandstone group is around 6%~9% and mainly comprises kaolinite, and it can be regarded as a high quality reservoir with high porosity and high permeability (Table 5).

For $J_1b^5$ sandstone group, the major pay zone of Badaowan formation, medium and fine sandstone is found the majority (about 80.6% of the reservoir) of the sandstone group. The main component of the rock grain is quartzite and tuff detritus with middle sorting, cementing mainly in terms of contacting and pore. Its shale content is around 8%~10% and mainly comprises kaolinite, followed by calcite. The sandstone group can be regarded as a middle scale reservoir with medium porosity and middle-high permeability (Table 5).

**Table 5 Reservoir Physical Properties of Qigu and Badaowan Formations**

| Formation | Porosity, % | | | Permeability, $10^{-3}\mu m^2$ | | | Comment |
|---|---|---|---|---|---|---|---|
| | Average | Median | Peak Value | Average | Median | Peak Value | |
| Qigu Formation | 28.1 | 28 | 29 | 583 | 260 | 1,500 | – |
| Badaowan Formation | 24.4 | 24 | 25 | 346 | 110 | – | – |

In short, the crude oil of this area is ultra-heavy with high density, high viscosity, medium freezing point and zero mobility in underground condition (Table 6). Generally, the oil quality (in terms of viscosity and density) is better for oil blocks where their structure is in high positions.

**Table 6 Crude Oil Characteristics in Nos. 1, 43 and 32 Heavy Oil Blocks**

| Oil Block | Crude Oil Viscosity ($\times 10^4$mPa .s) | | | Crude Oil Density (g/cm$^2$) | Freezing Point (°C) |
|---|---|---|---|---|---|
| | 50°C Degasification | 20°C Degasification | Average | | |
| No.1 Heavy Oil Blcok | 1~2 | 10~50 | 40 | 0.947~0.987 | -13~20 |
| No.43 Heavy Oil Block | 0.347~2.59 | 8~30 | 20 | 0.946~0.962 | 15 |
| No.32 Heavy Oil Block | 0.062.15 | – | 20 | 0.946~0.965 | 8.1 |

The water data analysis of this area shows that the water types of both the oil bearing formations in Qigu and Badaowan formations are NaHCO3, with chloride ions contents of 1945mg/L and 3466mg/L respectively, and gross salinity of 4913mg/L and 9464mg/L respectively.

## 2.5 Reservoir Type

Both No. 1 and No. 32 Heavy Oil Blocks are structural reservoirs sealed by fault. The north part of No. 43 Heavy Oil Block is also sealed by fault with edge water in the south with its OWC forms an altitude of -295m.

According to Jurassic pressure gradient curve:

$$P_i=3.5504-0.0095\times H$$

We know that the formation pressures of Qigu formation in No.1 Heavy Oil Block and Badaowan formation in No. 43 Heavy Oil Block are 3.5MPa and 4.1MPa respectively, and their formation pressure coefficients are 0.9 and 0.99 respectively.

According to the geothermal gradient formula based on real measurement data:

$$t=4.6398+0.0221 \times H$$

We know that the geothermal of Qigu formation in No.1 Heavy Oil Block and Badaowan formation in No. 43 Heavy Oil Block are 13°C and 14.6°C respectively.

The major parameters of reservoir geological features are shown in Table 7.

**Table 7 Major Parameters of Reservoir Geological Features**

| Parameters | No.1 Heavy Oil Block | No.43 Heavy Oil Block | No.32 Heavy Oil Block |
|---|---|---|---|
| Proven reserve ($\times 10^4$t) | 1536 | 594 | 977 |
| Oil-Bearing Area (km$^2$) | 2.7 | 3.8 | 4.4 |
| Reservoir Thickness (m) | 30.2 | 9.5 | 11.3 |
| Reservoir Depth (m) | 310 | 430 | 230 |
| Net-to-gross Ratio (%) | 65 | 69 | |
| Porosity (%) | 29 | 23 | 29 |
| Permeability ($10^{-3}\mu m^2$) | 583 | 346 | 404 |
| Original Oil Saturation (%) | 68 | 75 | 71 |
| Crude Oil Viscosity/20°C Degasification ($\times 10^4$mPa.s) | $40 \times 10^4$ | $20 \times 10^4$ | $20 \times 10^4$ (Reservoir Temperature 9.7°C |
| Crude oil Density (g/cm$^2$) | 0.955 | 0.954 | 0.954 |
| Original Formation Temperature (°C) | 13 | 14.6 | 9.7 |
| Original Formation Pressure (MPa) | 3.5 | 4.13 | 2.27 |
| Formation Lithology | Sandstone | Glutenite | Medium Sandstone |
| Shale Content (%) | 8 | 9 | 6 |
| Water Salinity (mg/L) | 4913 | 9464 | – |
| Chlorion Content (mg/L) | 1945 | 3464 | – |
| Water Type | $NaHCO_3$ | $NaHCO_3$ | – |

## 3. ANALYSIS OF OIL RESERVES

Nos. 1, 43, and 32 Heavy Oil Blocks in Xin Jiang Oilfield are approved by National Reserves Committee in 1992 and 1994 respectively for mining. The total oil-bearing area of Nos. 1, 43 and 32 Heavy Oil Blocks is 10.7 $km^2$ with proven geological reserves of 3107 $\times 10^4$t (IP).

### 3.1 Oilfield Exploration

The seismic explorations of all the three oil blocks have been finished with 1 × 1 km survey grid. 40 wells drilled with the real core length of 686m. Of which, 26 wells have been examined with thermal recovery testing and 47 rounds of steam stimulation (Table 8).

**Table 8 Oilfield Exploration Workload**

| Oil Block | Type of Wells | Drilling | | | Pilot Thermal Recovery | Seismic Survey Grid |
|---|---|---|---|---|---|---|
| | | No. of Wells | Footage (m) | Real Core Length (m) | | |
| Heavy No. 1 Oil Block | Evaluation Well | 2 | – | – | 2 wells, 5 rounds | 1 × 1 km |
| | Thermal Recovery Well | 7 | Not including horizontal well group | | 6 Wells, 8 rounds | |
| | Total | 9 | 44057 | 146.8 | 8 wells, 13 rounds | |
| Heavy No. 32 Oil Block | Evaluation Well | 6 | 4955.0 | 171.83 | 1wells, 2 rounds | 1 × 1 km |
| | Thermal Recovery Well | 10 | 2619.4 | 162.43 | 9 wells, 17 rounds | |
| | Total | 16 | 7574.4 | 334.28 | 10 wells, 19 rounds | |
| Heavy No. 43 Oil Block | Evaluation Well | 11 | – | – | 4 wells, 8 rounds | 1 × 1 km |
| | Thermal Recovery Well | 4 | – | – | 8 wells, 15 rounds | |
| | Total | 15 | 82916 | 205 | 8 wells, 15 rounds | |
| | Total | 40 | 134547.4 | 686.08 | 26 wells, 47 rounds | 1 × 1 km |

### 3.2 Reserves Calculation Methodology

The methodology adopted for calculation of the reserves is known as volumetric method with formation group as the calculation unit. The Qigu formation consists of G1, G2 and G3 while Badaowan formation only consists of the "$b^5$" group.

### 3.3 Oil-bearing Area

The fault boundary takes the bottom fault projecting line of the formation as its oil-bearing boundary. The west boundary of No. 1 Heavy Oil Block takes the middle line between the pilot thermal recovery well and the non-thermal recovery testing well as its boundary while, the 5m thickness contour line in effective formation is used as the boundary for calculating oil-bearing area of No. 43 Heavy Oil Block (see Fig. 8 and Fig. 9).

### 3.4 Effective Pay Zone

The lower limit of various parameters of each effective pay zone is based on the chart in terms of the zone's lithology, electric property, physical property and reservoir features, which is checked with the testing results of real thermal recovery (Table 9).

**Table 9 Lower Limits of Effective Pay Zone**

| Oil Block | Oil Saturation (%) | Porosity (%) | Interval Transit Time (μs/m) | Permeability ($10^{-3}\mu m^2$) | Resistivity (Ωm) |
|---|---|---|---|---|---|
| No. 1 Heavy Oil Block | 55 | 24 | 344 | 80 | 30 |
| No. 43 Heavy Oil Block | 60 | 16 | 287 | 20 | 40 |
| No. 32 Heavy Oil Block | 55 | 23 | 353 | 30 | 60 |

As proved by the thermal recovery testing, for layers of the reservoir which reached the standard of an effective pay zone, their oil/steam ratio will be 18% which is the prevailing industrial (economic) standard.

By taking into account the effective thickness begins at 0.5m, the calculations results of the volumetric thickness and geological oil reserves of the effective pay zones are shown in Table 1.

### 3.5 Recoverable Reserves

A. Using the periodic lapse calculation method, the recovery ratio of No. 43 Heavy Oil Block is within a range between 20% and 26%. According to the results of single-well Steam Stimulation Testing on No. 43 Heavy Oil Block, the total oil production for the 3-phase stimulation cycle is 1938 tones. The reserves (IP) of the 40m-oil-drainage radius with area 0.0064km$^2$ are 9984 tones and the recovery ratio has reached 19.4%. In addition, the grinding pay zone thickness is 9.5m. The recovery ratio will reach 20.4% when using a 6-phases stimulation cycle (with decreasing production from phase 4). In view of the range of recovery ratio of No. 43 Heavy Oil Block, the corresponding recoverable reserve is estimated to be between 1,188,000 tones and 1,544,000 tones.

B. Using the same approach the recovery ratio for No. 1 Heavy Oil Block is within a range between 23% and 29%, and the pay zone thickness is 30.2m. The recovery ratio will be 23% under a 10-phase simulation cycle. In view of the range of recovery ratio of No. 1 Heavy Oil Block, the corresponding recoverable reserve is estimated to be between 3,533,000 tones and 4,454,000 tones.

C. By the same calculation method, the recovery ratio of No. 32 Heavy Oil Block is within a range between 25% and 31% and the corresponding recovery reserve is estimated to be between 2,443,000 tones and 3,029,000 tones.

The total recoverable reserves of No. 1, No. 32 and No. 43 Heavy Oil Blocks are 7,164,000 tones (See Table 9).

**Table 9 Recoverable Reserves in Various Oil Blocks**

| Oil Block | Formation | Area ($km^2$) | Geological Reserve (IP) ($\times 10^4t$) | Recovery ratio (%) | Recoverable Reserve ($10^4t$) |
|---|---|---|---|---|---|
| No.1 Heavy Oil Block | $J_3q$ | 2.7 | 1,536 | 23~29 | 353.3~445.4 |
| No.43 Heavy Oil Block | $J_3b$ | 3.8 | 594 | 20~26 | 118.8~154.4 |
| No.32 Heavy Oil Block | $J_3q$ | 4.4 | 977 | 25 | 244.3~302.9 |
| Total | – | 10.9 | 3,107 | – | 716.4~902.7 |

### 3.6 Producing Reserves

With producing wells in square pattern and are of 120m from each other, and calculating by using the areas of the wells times the estimated reserves, the total producing area and total producing geological reserve are $9.63km^2$ and $2646.9\times10^4t$ respectively. In addition, the total producing recovery reserve is estimated to be within a range between $610 \times 10^4t$ and $768.9 \times 10^4t$. (See Table 10).

**Table 10 Producing Reserves in Various Oil Blocks**

| Item / Block | Formation | Producing Area ($km^2$) | Reserve Abundance ($10^4t/km^2$) | Producing Geological Reserve ($10^4t$) | Producing Recoverable Reserve ($10^4t$) |
|---|---|---|---|---|---|
| No.1 Heavy Oil Block | $J_3q$ | 2.13 | 568.9 | 1,211.7 | 278.7~351.4 |
| No.43 Heavy Oil Block | $J_3b$ | 3.5 | 156.3 | 547.0 | 109.4~142.2 |
| No.32 Heavy Oil Block | $J_3q$ | 4.0 | 222.0 | 888.2 | 222.1~275.3 |
| Total | – | 9.63 | – | 2,646.9 | 610.2~768.9 |

## 4. HEAVY OIL BLOCK DEVELOPMENT POLICY

Testing results from 26 wells of which thermal recovery testing and 47 rounds of steam stimulation have been carried out, together with the steam driving recovery of horizontal well testing results from a group of wells in No. 1 Heavy Oil Block are available for evaluation of the 3 proposed Heavy Oil Blocks. The results from the single-well steam stimulation testing were adopted in our conceptual design for their completeness of data, and acting as the base for economic benefits evaluation.

Ultra-heavy oil in Xin Jiang Oilfield cannot flow under the temperature in the underground. Single-well steam stimulation should be the recommended technique for exploitation of the subject oil blocks. Single-well steam stimulation is a method by injecting steam into the pay zone for several days to increase the temperature and reduce the viscosity of the crude oil in order to increase the mobility of the crude oil and facilitate the oil production from the wells. The efficiency of crude oil production is related closely with steam/oil ratio (Volume) and well space.

For ensuring the implementation of this oil exploitation project, professional engineers, geologists and geophysicists should be employed.

We are not able to ascertain the cost and expected income for the exploitation of the aggregate producing recoverable reserve because the development timeframe of subject oil blocks are yet to be confined and estimated as at the Latest Practicable Date. Nevertheless, we do not foresee any impediments for exploitation of subject oil blocks during the valid mining period.

### 4.1 Relationship Between Well-to-well Distance and Recovery Ratio

In general, the closer the distances between the wells, the higher the recovery ratio. The well-to-well distance depends on the number of wells to be exploitated. The more the wells to be drilled, the well-to-well distances should be shorter. Nevertheless, the number of wells to be drilled is subject to the cost efficiency for mining. With reference to the well-to-well distance and recovery ratio of Liaohe Oilfield, the optimal well-to-well distance is ≤ 120m.

### 4.2 Single Well Production and Oil-steam Ratio

According to the statistics obtained from the testing, the average production of a single well for various oil blocks in applying the single well steam stimulation approach generally exceeds 9 tones per day, and the oil/steam ratio is higher than 20% (See Table 11). In other words, when 100 tones of steam are injected 20 tones of oil can be produced.

**Table 11 Steam Stimulation Results in Various Oil Blocks**

| Oil Block | Formation | Producing Period (day) | Average daily oil production of Single well (t) | Period oil Production (t) | Oil-steam Ratio (%) |
|---|---|---|---|---|---|
| No. 1 Heavy Oil Block | $J_3q$ | 49 | 11 | 541 | 22 |
| No. 43 Heavy Oil Block | $J_1q$ | 40 | 12.1 | 488 | 26 |
| No. 32 Heavy Oil Block | $J_3q$ | 51.5 | 8.9 | 413 | 26 |

The first to the third period thermal recovery oil production by single well handling and the oil-steam ratio increase are in Table 12.

**Table 12 Different Periods of Thermal Handling Results in Various Oil Blocks**

| Oil Block | 1 | | 2 | | 3 | |
|---|---|---|---|---|---|---|
| | Oil production (t) | Oil-steam ratio (%) | Oil production (t) | Oil-steam ratio (%) | Oil production (t) | Oil-steam ratio (%) |
| No. 1 Heavy Oil Block | 608 | 19 | 803 | 25 | – | – |
| No. 43 Heavy Oil Block | 210 | 13 | 532 | 27 | 766 | 37 |
| No. 32 Heavy Oil Block | 228 | 20 | 437 | 37 | 544.4 | 46 |

The above results indicates that positive thermal recovery results can be obtained by using the single-well steam stimulation approach. The expected results in terms of daily single-well production from the conceptual design lies within the range of the testing results on the testing day, while for those of steam-producing capacity and oil production lies within the range of the testing oil-steam ratio.

### 4.3 Producing Duration

Generally, the producing duration is based on the number of wells and the assumption that the daily production for each well is 6 tones. For No. 1 Heavy Oil Block, however, its producing duration is counted from the inversion of contract duration for its high reserves abundance. The major geological parameters for project economic evaluations for various oil blocks are shown in Table 13.

**Table 13 Major Geological Parameters for Mining in Various Oil Blocks**

| No. | Item | Vertical well steam stimulation | | |
|---|---|---|---|---|
| | | No. 1 Heavy Oil Block | No. 32 Heavy Oil Block | No. 43 Heavy Oil Block |
| 1 | Oil-bearing Area ($km^2$) | 2.7 | 4.4 | 3.8 |
| 2 | Geological Reserves ($\times 10^4$t) | 1,536 | 977 | 594 |
| 3 | Reserves Abundance ($\times 10^4$t/$km^2$) | 568.9 | 222.0 | 156.3 |
| 4 | Development Way | Single well stimulation | Single well stimulation | Single well stimulation |
| 5 | Pattern Density | 120m Square Pattern | 120m Square Pattern | 120m Square Pattern |
| 6 | Single well control area ($km^2$) | 0.0144 | 0.0144 | 0.0144 |
| 7 | No. of Producing Wells | 148 | 278 | 243 |
| 8 | Producing Area ($km^2$) | 2.13 | 4 | 3.5 |
| 9 | Producing Geological Reserves ($\times 10^4$t) | 1,211.75 | 888.2 | 547 |
| 10 | Recovery ratio (%) | 23~29 | 25~31 | 20~26 |
| 11 | Producing Recoverable Reserves in Well Block ($\times 10^4$t) | 278.7~351.4 | 222.1~275.3 | 109.4~142.2 |
| 12 | Daily single well production (t) | 8.7 | 6 | 6 |
| 13 | Annual single well production ($\times 10^4$t) | 0.2088 | 0.1440 | 0.1440 |
| 14 | Oilfield Annual production ($\times 10^4$t) | 30.90 | 40.00 | 34.99 |
| 15 | Producing Period (year) | 9 | 5.6 | 3.1 |

### 4.4 Progressive Development

Progressive development allows the investor to develop the oil blocks stage by stage and the investment sum could also be amortized throughout the development period.

(1) "Develop the Oil Block One after One" – In view of the geological reserve and reserve abundance of the Oil Block 1, the development of No. 1 Heavy Oil Block would generate a higher economic return. The profit generated from the mining of No. 1 Heavy Oil Block will help further explore and exploitate the remaining heavy oil blocks. The estimated working capital which is required to initiate the exploitation and development of the oil well within the first 24 months commencing from the exploitation date of No. 1 Heavy Oil Block is approximately RMB70,000,000.

(2) "Infrastructure Developments goes with Oil Production" – Some of the infrastructure such as the Power Station and Boilers should be constructed in the early stage. It is easier to enjoy the economies of scale to developing some of the major infrastructure for the three oil wells altogether.

(3) "Trial Exploitation" – The pilot design of producing well is necessary and critical. The overall development program should be designed with reference to the pilot result so as to minimize the risks.

## 5. MINING RIGHTS

The mining rights in respect of No. 1, No. 32 and No. 43 Heavy Oil Blocks in Xin Jiang Oilfield are in the form of joint mining rights and subject to the following two contracts:

(1) 《合作開發風城油田稠油合同》(Feng Cheng Oilfield Heavy Oil Joint Development Contract) dated 21 January 2003 entered into between中國石油集團新疆石油管理局 (China National Petroleum Corporation Xin Jiang Petroleum Management Bureau) and 中國華油集團公司 (China Hua You Group Corporation); and

(2) 《合作開發風城油田稠油的協議》(Feng Cheng Oilfield Heavy Oil Joint Development Agreements) dated 29 September 2004 entered into between中國華油集團公司 (China Hua You Group Corporation) and 華油中匯能源發展有限責任公司 (CNPC Huayou Cu Energy Investment Co. Ltd.).

The mining rights will expire on 31 December 2016. We are not aware of any special economic, environmental, political or other circumstances surrounding their exploitation which may affect the commercial validity of the project. As advised by CNPC Investment, we do not aware of any claims in relation to exploration rights of the subject oil blocks as at the Latest Practicable Date.

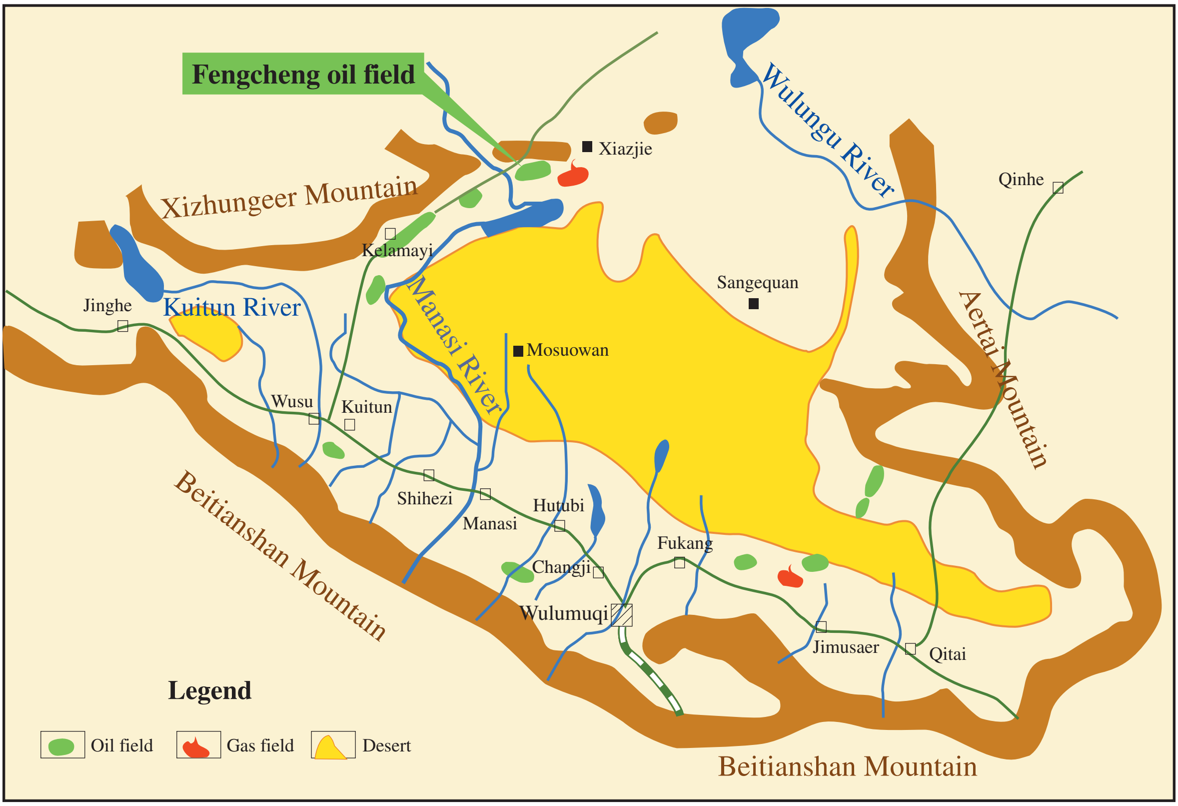


**Fig 1 Xin Jiang oilfield location map**

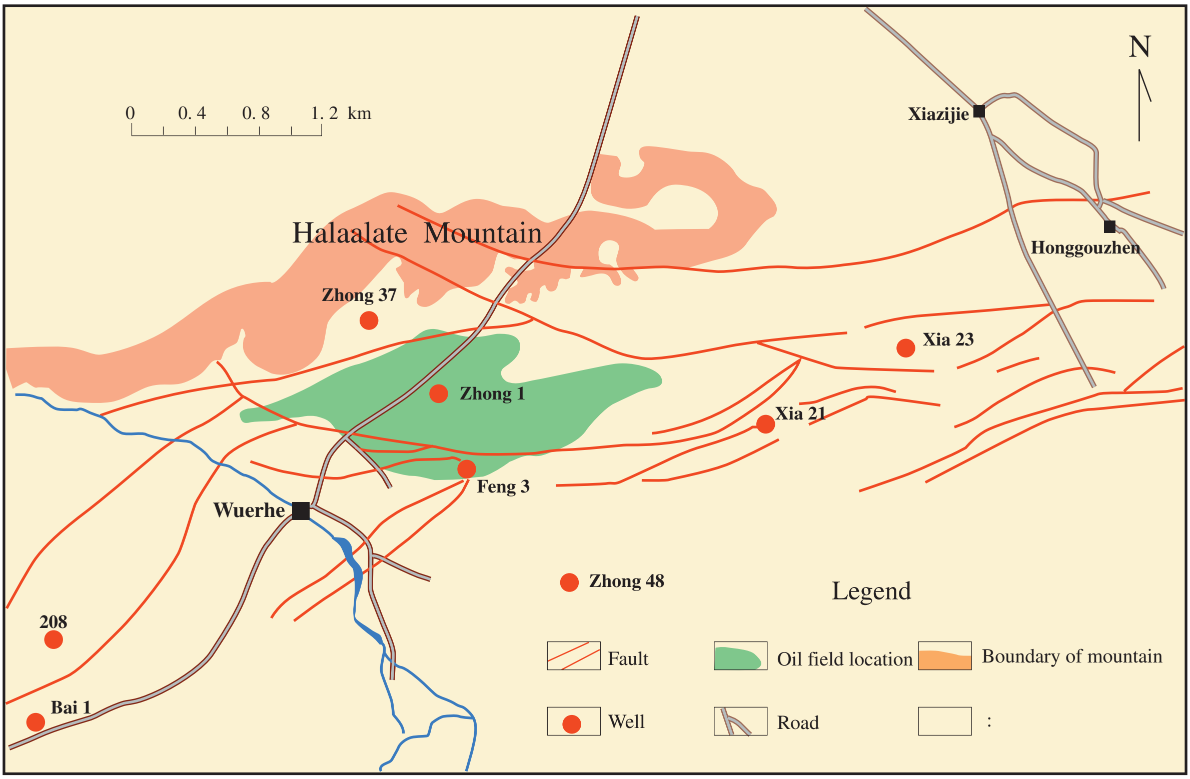


**Fig 2 Location map of Xin Jiang oilfield**

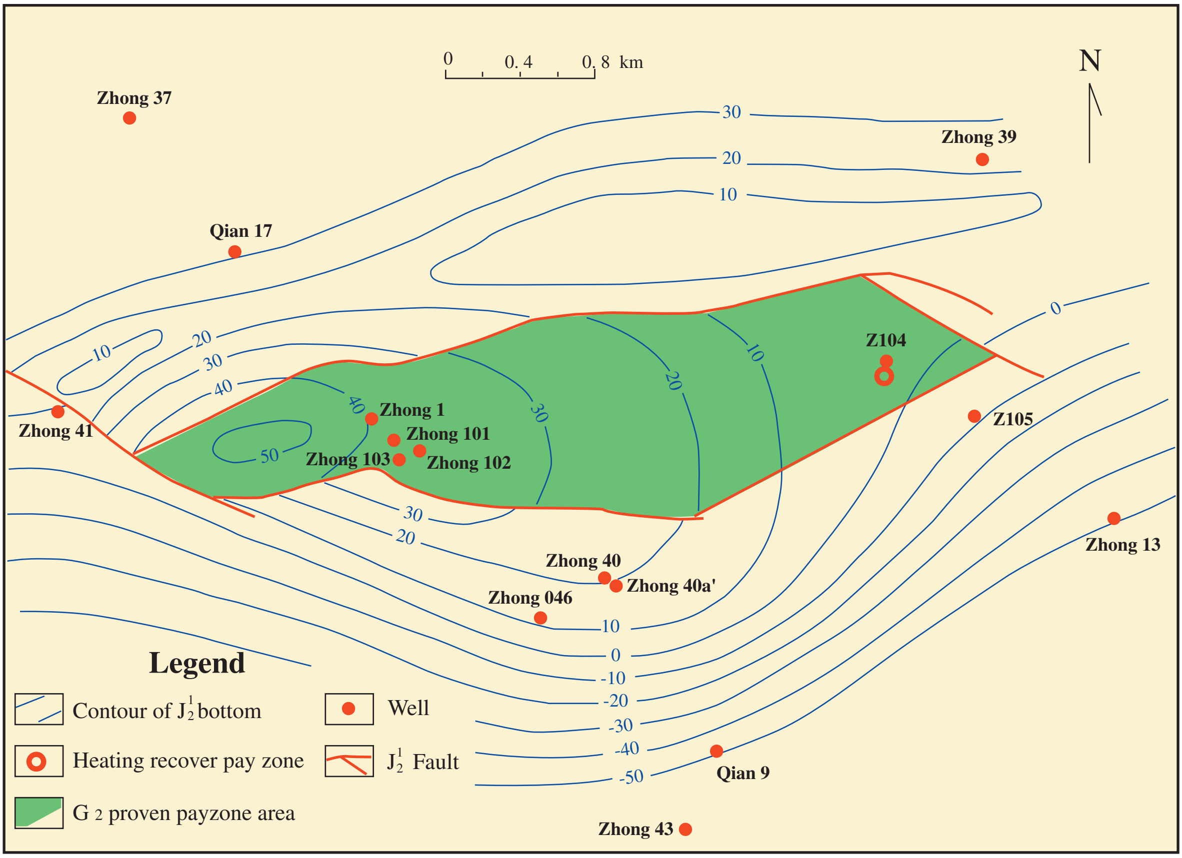


**Fig 3 Structure and payzone area map of Qigu group in Zhong 1 area**

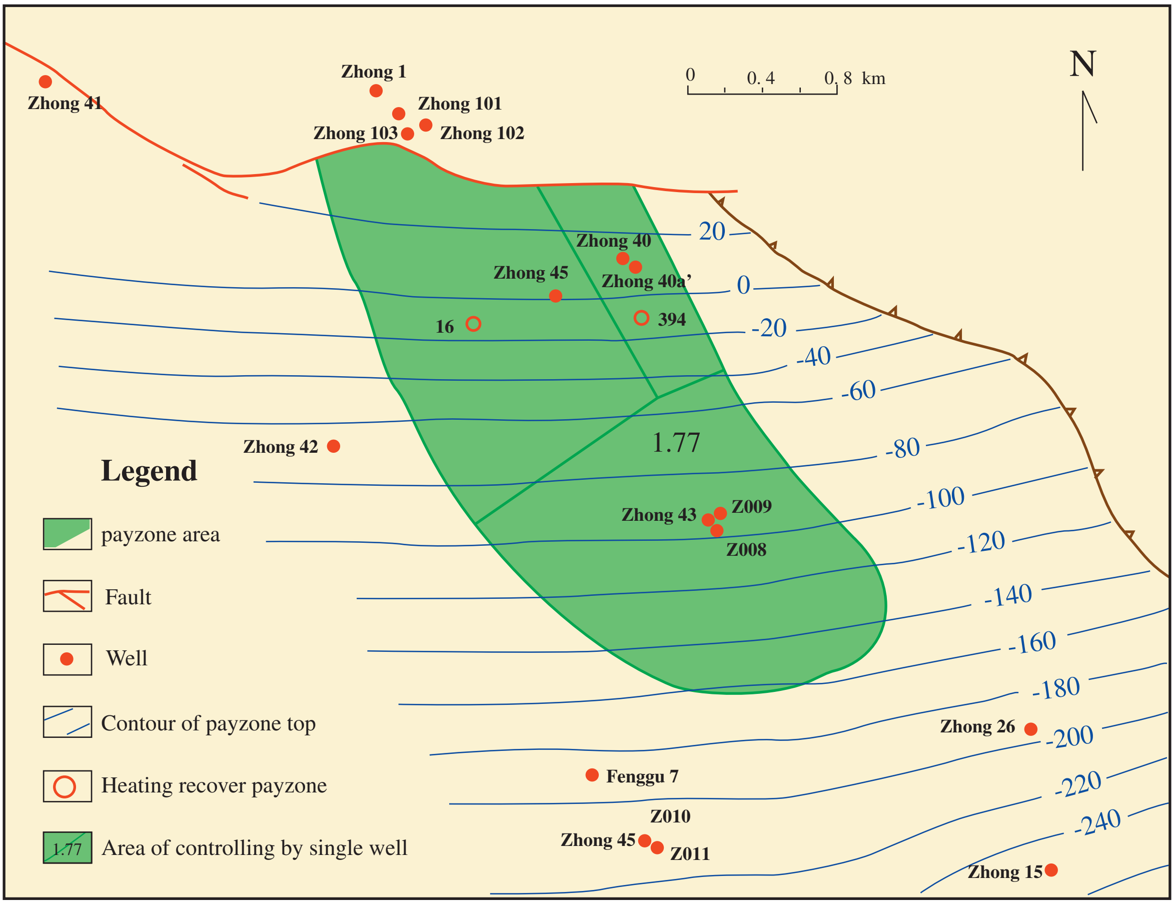


**Fig 4 Structure and payzone area map of Badaowan group in Zhong 43 area**

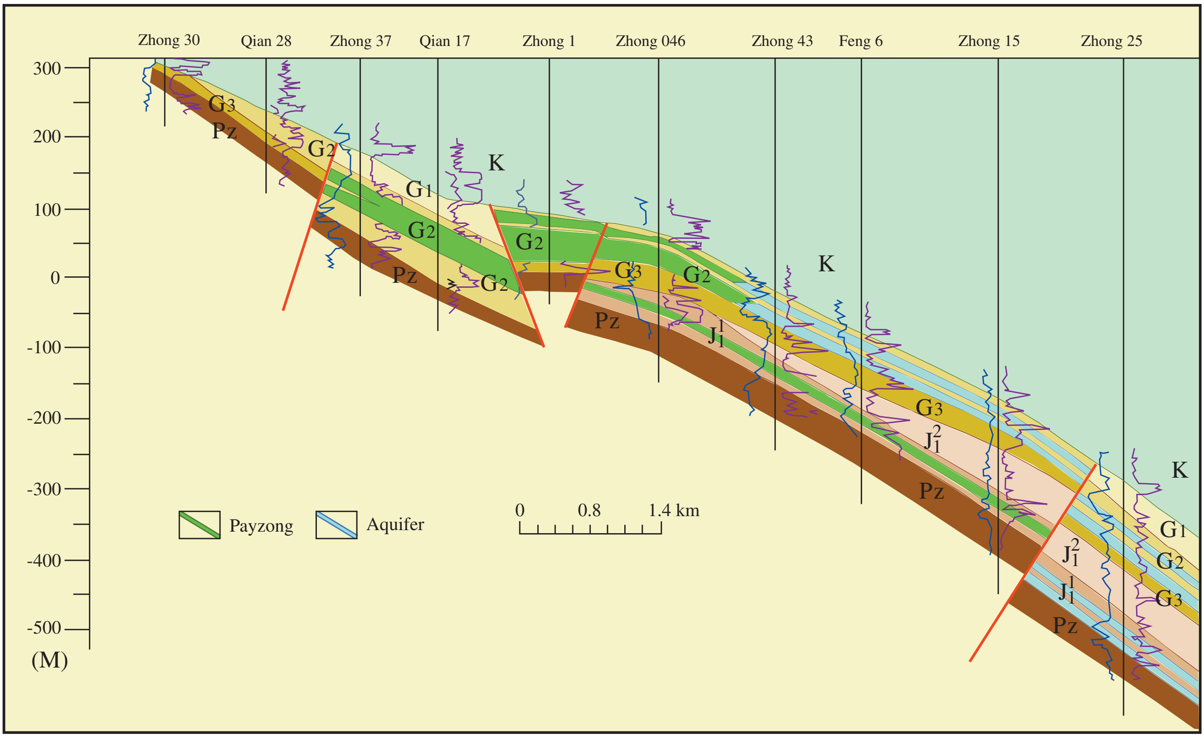


**Fig 5 Reservoir section map**

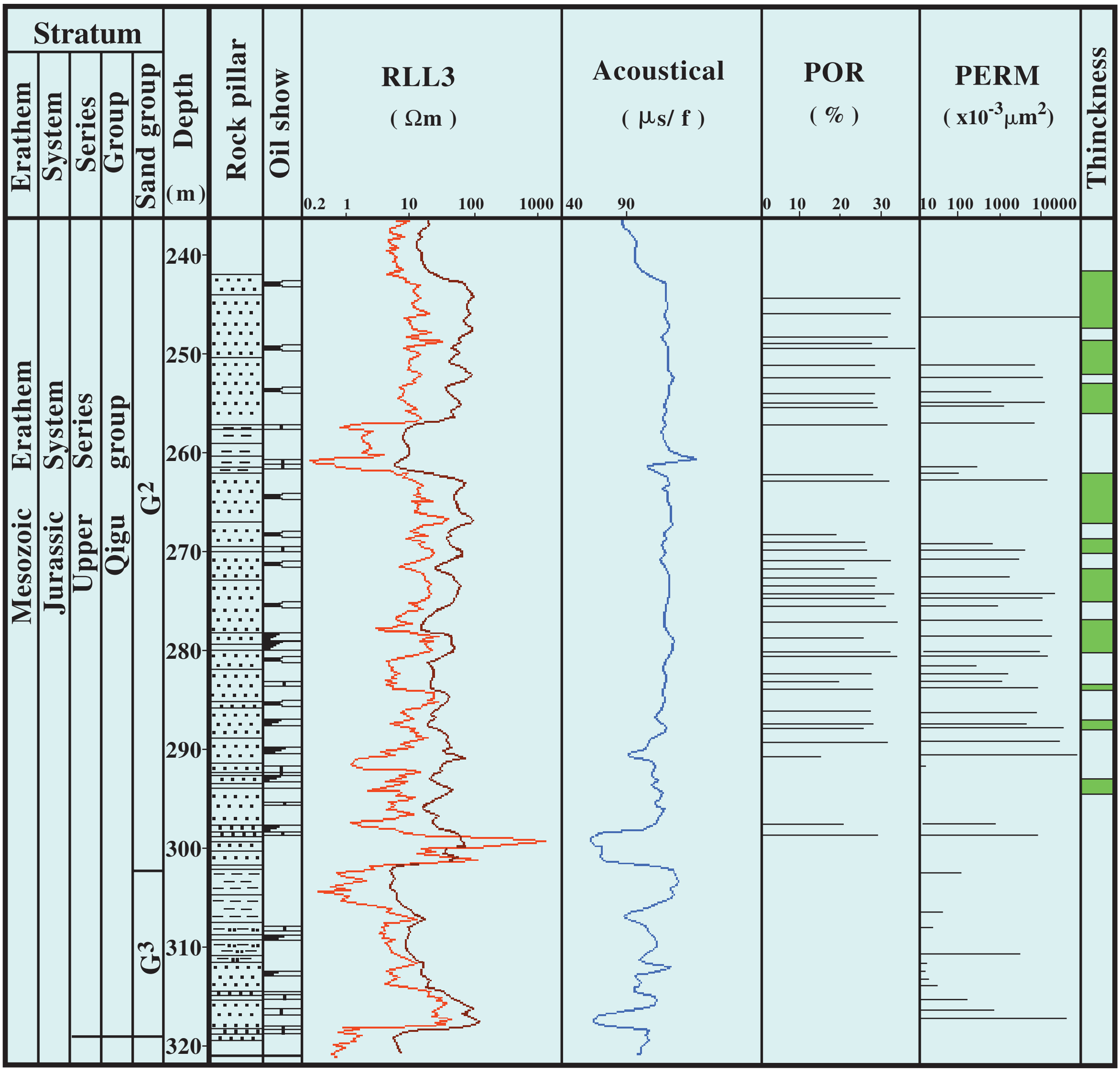


Fig 6 Zhong 1 area Qigu group lithology, porosity, permeability, vs oil beraing map

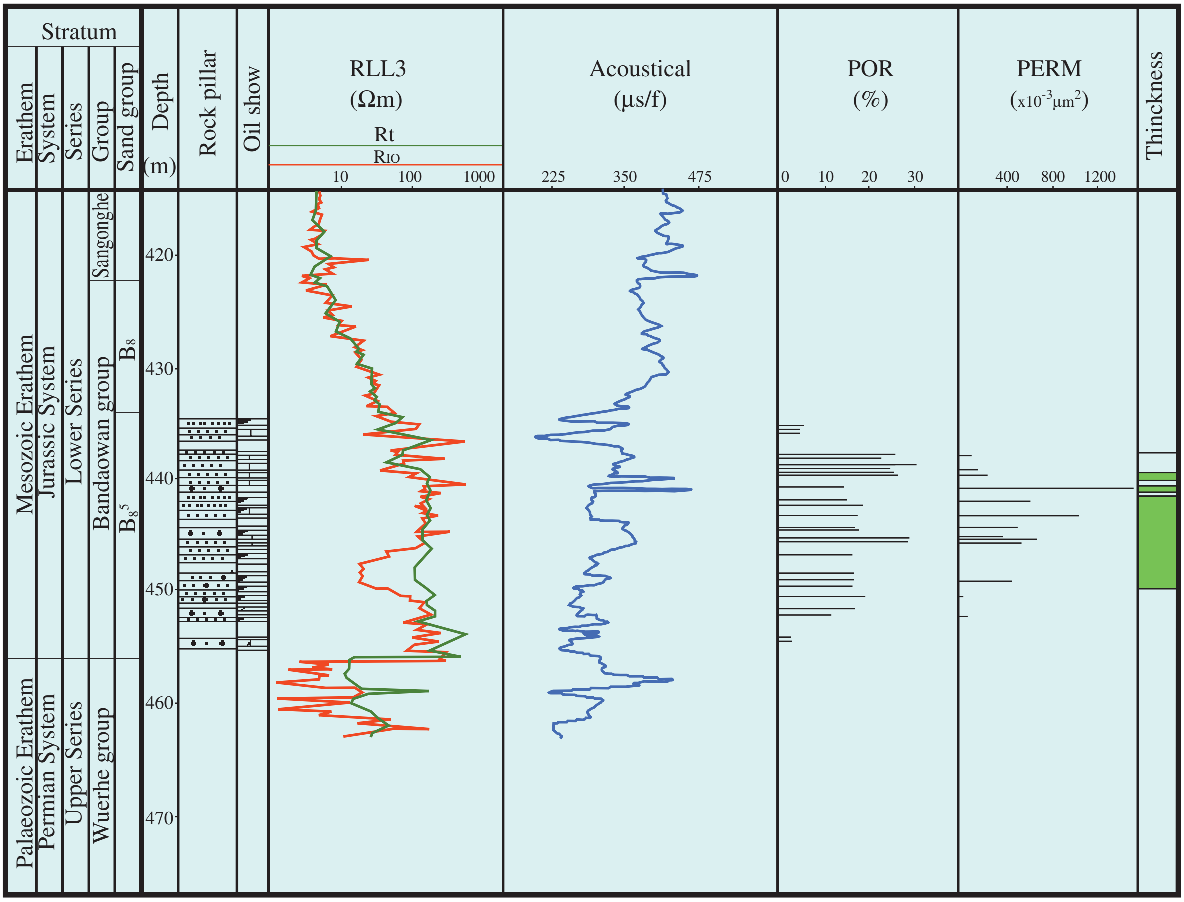


Fig 7 Zhong 43 area Badaowan group lithology, porosity, permeability, vs oil beraing map

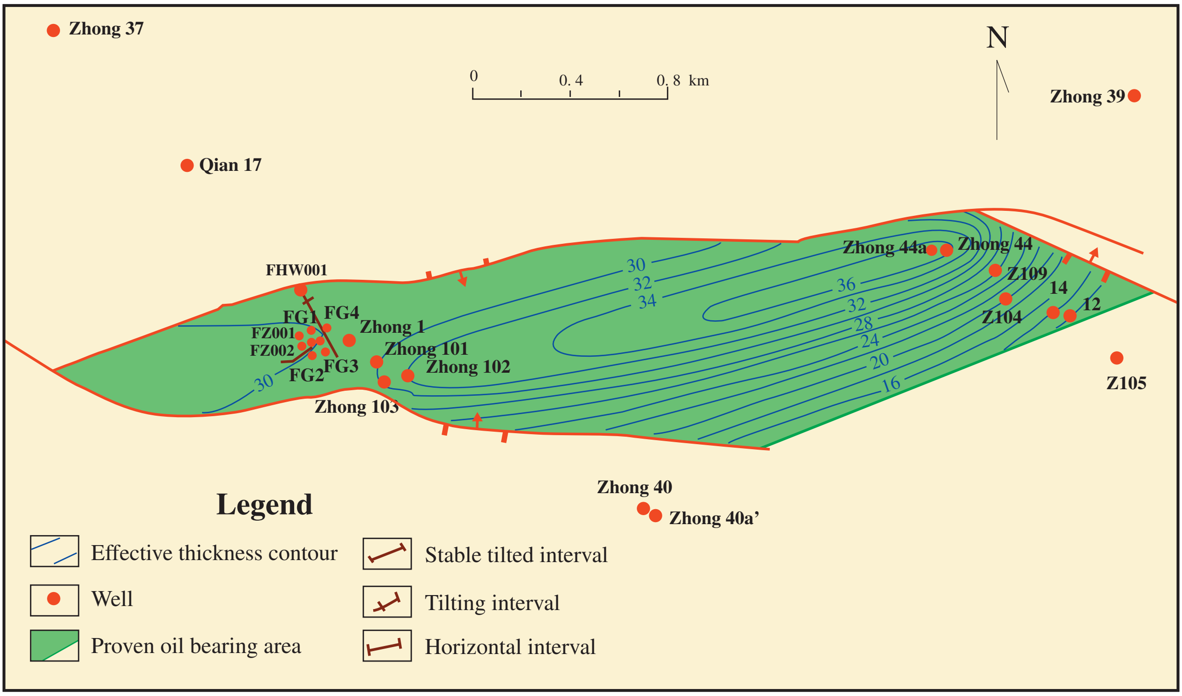


**Fig 8 Qigu group effective thichkness contour map in Zhong 1**

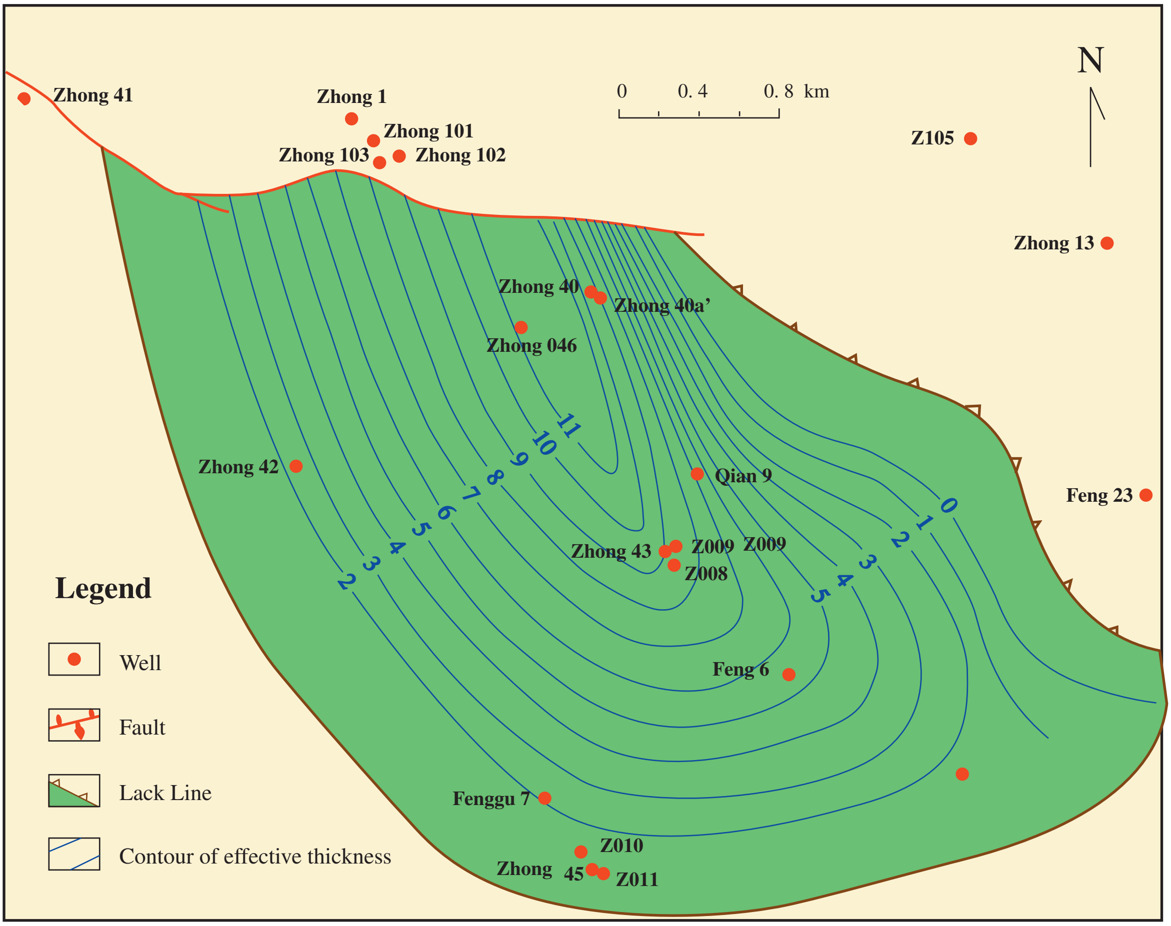


Fig 9 contour map of effective thickness of Badaowan group in Zhong 43 area

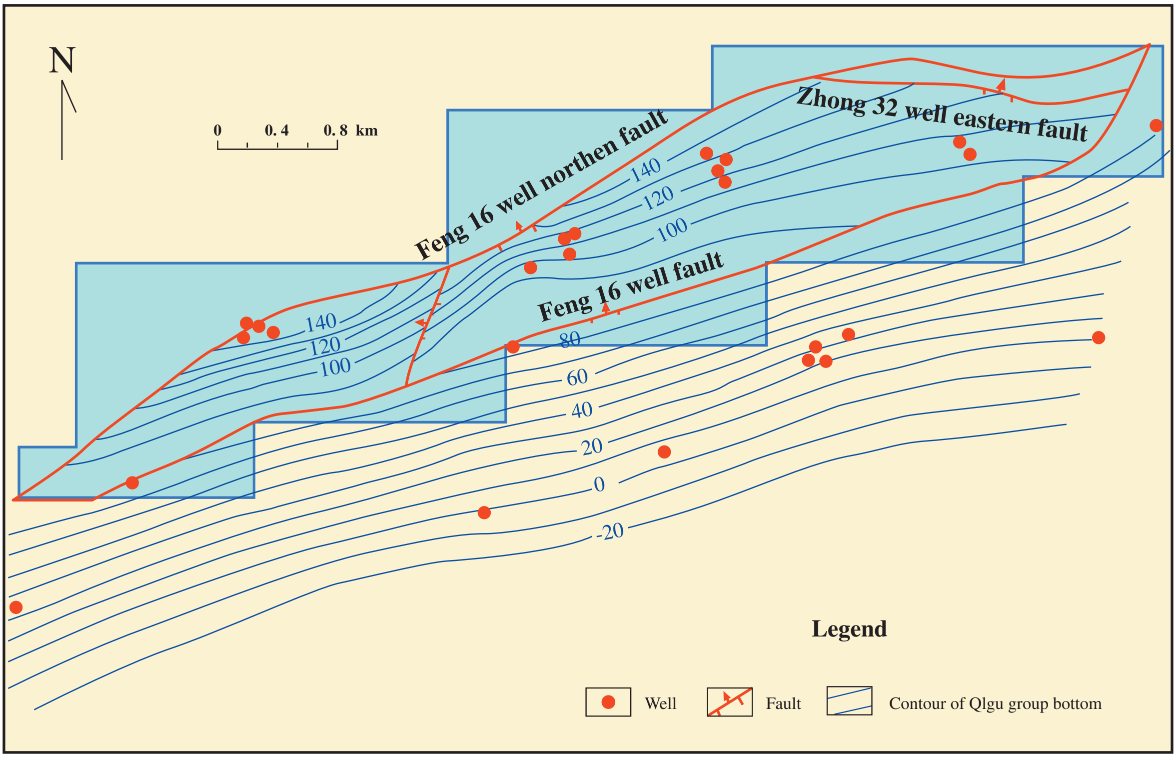


**Fig 10 Zhong 32 block map in Xin Jiang Oilfield**

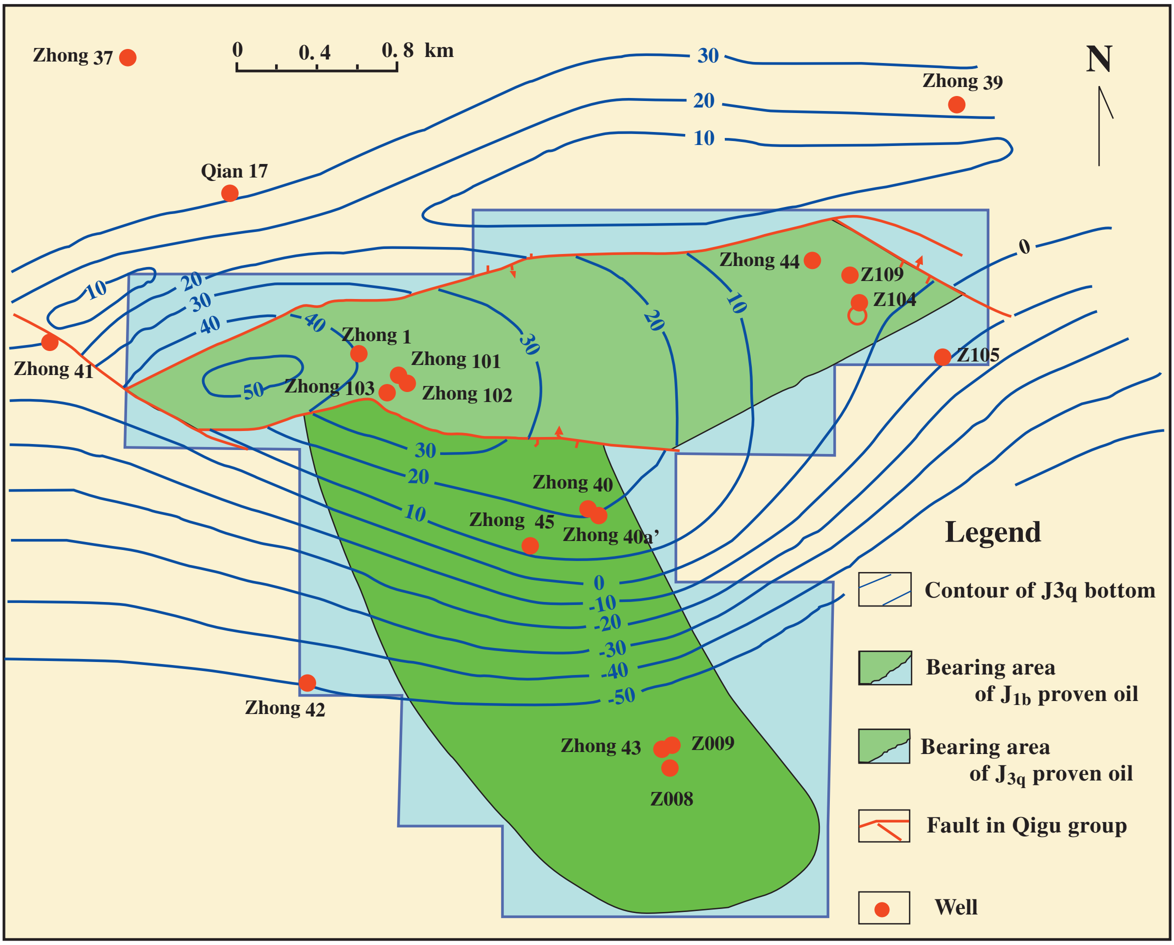


Fig 11 Zhong 1 and Zhong 43 block map in Xin Jiang Oilfield heavy map

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to Aptus. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this circular 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 circular misleading; and

3. all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. SHARE CAPITAL OF APTUS

The authorised and issued share capital of Aptus as at the Latest Practicable Date and immediately after issue of the Consideration Shares were and will be as follows:

*Authorised:*

| Number of Aptus Shares | | Amount *HK$* |
|---|---|---|
| 20,000,000,000 | Aptus Shares at the Latest Practicable Date | 200,000,000 |

*Issued and to be issued, fully paid or credited as fully paid:*

| | | |
|---|---|---|
| 1,550,326,428 | Aptus Shares in issue as at the Latest Practicable Date | 15,503,264 |
| 20,000,000 | Consideration Shares to be issued | 200,000 |
| 1,570,326,428 | Aptus Shares in issue immediately after issue of the Consideration Shares | 15,703,264 |

## 3. DISCLOSURE OF INTERESTS

### (a) Director's interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, 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:

*(i) Shares*

Long positions in the Aptus Shares and shares of associated corporations

| Name of director | Company/ Name of associated corporation | Number of ordinary shares held Corporate interest | Personal interest | Family interest | Total interest |
|---|---|---|---|---|---|
| Cheung Kwai Lan | Precise | 928,571,428 *(Note)* | – | – | 928,571,248 |

*Note:*

The 928,571,428 Aptus Shares are owned by 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.

*(ii) Director's 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 the Latest Practicable Date, 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

**(b) Substantial shareholders' interests and short positions in the shares, underlying shares and debentures of Aptus**

As at the Latest Practicable Date, 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 were 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:

| Name of shareholder | Capacity | Number of Aptus Shares held | Number of share options and underlying shares held | Aggregate long position | Approximate percentage of shareholding |
|---|---|---|---|---|---|
| Precise | Direct interest of corporation | 928,571,428 | – | 928,571,248 | 59.90 |
| China Success Enterprises Limited *(Note 1)* | Interest of corporation through wholly owned subsidiary | 928,571,428 | – | 928,571,428 | 59.90 |
| B & B (Note 1) | Interest of corporation through wholly owned subsidiary | 928,571,428 | – | 928,571,428 | 59.90 |
| Best Frontier Investments Limited *(Note 1)* | Interest of corporation through non-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 |
|---|---|---|---|---|---|
| Cheung Kwai Lan *(Note 2)* | Beneficial owner | 928,571,428 | – | 928,571,428 | 59.90 |
| Chan Tung Mei *(Note 2)* | 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 the Latest Practicable Date, 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 Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, 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.

## 4. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by Aptus or any of its subsidiaries after the date two years preceding the date of the Latest Practicable Date and are or may be material:

1. the agreements dated 11 October 2002 entered into between Splendich Investment Company Ltd. as purchaser and Zou Zangxue as vendor in relation to the sale and purchase of the entire issued share capital of Lucky Mountain Group Limited and a shareholder's loan of approximately RMB2,012,843 (approximately HK$2,133,614) as at 31 August 2002 for an aggregate consideration of HK$7,800,000;

2. the agreements dated 28 July 2003 entered into between Aptus Medical Group Limited as purchaser and Westport International Group Co., Ltd. as vendor in relation to the acquisition of 501 shares of US$1.00 (approximately HK$7.8) each in Toowong Laboratories, representing 50.1% of the issued share capital of Toowong Laboratories for a consideration of up to US$1,500,000 (approximately HK$11,700,000), which will be satisfied as follows: (i) as to US$25,000 (approximately HK$195,000) in cash upon completion; (ii) as to US$325,000 (approximately HK$2,535,000) by the issue of the convertible note to Westport; and (iii) up to US$1,150,000 (approximately HK$8,970,000) by the allotment and issue of the consideration shares, credited as fully paid, at the issue price of HK$0.45 per share to Westport;

3. the agreements dated 5 September, 2003 entered into between Aptus and Interoverseas Consultancy Limited in relation to, among others, the HK$5,000,000 convertible note issued by Aptus to Interoverseas Consultancy Limited;

4. the agreements dated 23 March 2004 entered into between Aptus, Precise and certain warrantors in relation to, inter alia, the acquisition of a 75% equity interest in Top Entrepreneur Profits Limited by Aptus ("Sale and Purchase Agreements");

5. the subscription agreements dated 23 March 2004 entered into between Aptus and Precise in relation to the subscription of the Aptus Shares ("Subscription Agreements");

6. a deed of variation dated 21 June 2004 entered into between Aptus and Precise Result Profits Limited and certain warrantors regarding the extension of the long-stop date for the satisfaction/fulfilment of the conditions precedent to the Sale and Purchase Agreements and the Subscription Agreements to 30 August 2004;

7. the agreements dated 4 March 2005 entered into between Aptus and Solarmax Limited in respect of disposal of the entire equity interest of Aptus Medical Group Limited; and

8. the Agreements.

## 5. COMPETING INTEREST

As at the Latest Practicable Date, 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.

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

## 7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

## 8. EXPERTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

| Name | Qualification |
|---|---|
| W.H. Tang & Partners CPA Limited | Certified public accountants |
| Information and Technology Development Company under China Offshore Enterprise | Oilfield technical consultants |
| Hills & Co. | PRC legal adviser |

Each of W.H. Tang & Partners CPA Limited, Information and Technology Development Company under China offshore Enterprise and Hills & Co. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice, opinion and/or report, which has been prepared for inclusion in this circular and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of W.H. Tang & Partners CPA Limited, Information and Technology Development Company under China offshore Enterprise and Hills & Co. have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

## 9. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospects of the Group since 30 September 2005, the date to which the latest audited consolidated financial statements of the Company were made up.

## 10. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors nor experts as named in the paragraph headed “Experts” above had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 30 September 2005, the date to which the latest published audited financial statements of the Company were made up.

## 11. DIRECTORS’ INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group.

## 12. GENERAL

(a) The registered office of Aptus is at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman, British West Indies.

(b) The head office and principal place of business in Hong Kong of Aptus is at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong.

(c) Aptus's branch share registrar and transfer office in Hong Kong is Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

(d) The company secretary and qualified accountant of Aptus is Mr. Chan Man Sum, Ivan. Mr. Chan 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.

(e) The compliance officer of Aptus is Mr. Fung King Him, Daniel.

(f) Aptus has established an audit committee ("Committee") in April 2002 with written terms of reference in compliance with the GEM Listing Rules. The Committee's primary duties are to review and supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the Directors. The Committee comprises three independent non-executive Directors, namely Mr. Tian He Nian, Mr. Zhao Zhi Ming and Mr. Tsui Wing Tak and their biographies are as follows:

**Mr. Tian He Nian**, aged 65, was appointed as an independent non-executive Director and audit committee member of Aptus with effect from 30 September 2004. Mr. Tian 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. Mr. Tian is also an independent non-executive director and audit committee member of B & B. Except as disclosed above, Mr. Tian He Nian had not hold any other positions in the Group and had not held any other directorships of listed companies in the last 3 years as at the Latest Practicable Date.

**Mr. Tsui Wing Tak**, aged 36, was appointed as an independent non-executive Director and audit committee member of Aptus with effect from 27 August 2004. Mr. Tsui 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. Mr. Tsui is also an independent non-executive director and audit committee member of B & B. Except as disclosed above, Mr. Tsui Wing Tak did not hold any other positions in the Group and had not held any other directorships of listed companies in the last 3 years as at the Latest Practicable Date.

**Mr. Zhao Zhi Ming**, aged 63, was appointed as an independent non-executive Director and audit committee member of Aptus with effect from 20 January 2005. Mr. Zhao is the committee member of 國家開發銀行專家委員會(The Specialist Committee of the China Development Bank) and a Professor of 遼寧工程技術大學 (LiaoNing Technical University). After graduation from the university in 1964, Mr. Zhao had worked for several governmental authorities of the PRC, such as 天津市政府部門 (Tianjin Government), 國家開發銀行 (China Development Bank) and 國家能源投資公司 (National Energy Investment Company of the PRC). Mr. Zhao has rich knowledge in managing, investing and large size infrastructure projects. Except as disclosed above, Mr. Zhao did not hold any other positions in the Group and had not held any other directorships of listed companies in the last 3 years as at the Latest Practicable Date.

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business in Hong Kong of Aptus at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of Aptus;

(b) the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;

(c) the annual reports of Aptus for the last two financial years immediately preceding the issue of this circular;

(d) the “Accountants’ Report on CNPC Investment” prepared by W.H. Tang & Partners CPA Limited, the text of which is set out in Appendix II to this circular;

(e) the written consents of W.H. Tang & Partners CPA Limited, Informations and Technology Development Company under China Offshore Enterprise and Hills & Co. referred to in the paragraph headed “Experts”in this appendix;

(f) the “Technical Consultants’ Report on Xin Jiang Oilfield” prepared by Information and Technology Development Company under China Offshore Enterprise, the text of which is set out in Appendix IV to this circular;

(g) the letter from W.H. Tang & Partners CPA Limited report on the “Financial Information on the Enlarged Group”, the text of which is set out in Appendix III to this circular; and

(h) the discloseable transaction circular dated 23 March 2005 in relation to disposal of the entire equity interest of Aptus Medical Group Limited.

APTUS

# APTUS HOLDINGS LIMITED

# 問博控股有限公司

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

(Stock Code: 8212)

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Aptus Holdings Limited (the "Company") will be held at 10 a.m. on 5 December 2005 (Monday) at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions which will be proposed as ordinary resolutions:

## ORDINARY RESOLUTIONS

**"THAT**

(a) the Agreements (as defined in the circular (the "Circular") of the Company dated 11 November 2005 in relation to the acquisition of equity interest despatched to the shareholders of the Company, copies of the Agreements and the Circular are produced to the meeting marked "A" and "B" respectively and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated therein, under or incidental to the Agreements be and are hereby approved and the directors of the Company be and are hereby authorised to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Agreements and the transactions contemplated therein; and

(b) the directors of the Company be and are authorised to allot and issue the Consideration Shares (as defined in the Circular) to China United (as defined in the Circular), pursuant to the terms of the Agreements free and clear of any pre-emption right of the shareholders of the Company."

By Order of the Board
**Chan Ting**
*Director*

Hong Kong, 11 November 2005

*Registered office:*
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

*Head office and principal place of business in Hong Kong:*
30th Floor
Sunshine Plaza
353 Lockhart Road
Hong Kong

The directors of the Company as at the date of this notice are:

*Executive Directors:*
Madam Cheung Kwai Lan, Mr Chan Ting and Mr Fung King Him, Daniel

*Independent non-executive Directors:*
Mr Tian He Nian, Mr Zhao Zhi Ming and Mr Tsui Wing Tak

*Notes:*

1. A form of proxy for use at the meeting is enclosed.

2. Any member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member. In addition, a proxy representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he represents as such member could exercise.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority must be delivered to the head office and principal place of business in Hong Kong of the Company at 30th Floor, Sunshine Plaza, 353 Lockhart Road, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting (as the case may be) at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting.

5. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy or by representative, shall be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.