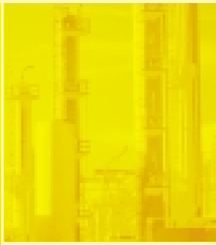
# APTUS HOLDINGS LIMITED
# 問 博 控 股 有 限 公 司

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


# 2005-2006
## Third Quarterly Report

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")**

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

**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.**



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

**RESULTS**

The board of directors (the "**Directors**") of Aptus Holdings Limited (the "**Company**") herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the three months and nine months ended 31 March 2006 together with the comparative unaudited figures for the corresponding periods in 2005 as follows:

| | | **(Unaudited) Three months ended 31 March** | | **(Unaudited) Nine months ended 31 March** | |
|---|---|---|---|---|---|
| | | **2006** | 2005 | **2006** | 2005 |
| | *Notes* | ***HK'$000*** | *HK$'000* | ***HK'$000*** | *HK$'000* |
| TURNOVER | *(2)* | **7,573** | 29,181 | **20,350** | 86,632 |
| Cost of sales | | **(7,451)** | (28,839) | **(19,802)** | (84,009) |
| Gross profit | | **122** | 342 | **548** | 2,623 |
| Other revenue | | **9** | *4* | **72** | 4,637 |
| Selling and distribution costs | | **(20)** | (366) | **(276)** | (491) |
| Administrative expenses | | **(6,890)** | (2,067) | **(12,728)** | (8,967) |
| Other operating expenses | | **–** | – | **–** | (2,703) |
| Loss on disposal of a jointly controlled entity | | **–** | – | **–** | (2,789) |
| Gain on disposal of subsidiaries | | **–** | 2,382 | **–** | 2,442 |
| Finance costs | | **(855)** | (10) | **(875)** | (132) |
| Share of loss of a jointly controlled entity | | **–** | – | **–** | 3 |
| PROFIT/(LOSS) BEFORE TAXATION | | **(7,634)** | 285 | **(13,259)** | (5,377) |
| Taxation | *(3)* | **–** | – | **(19)** | (2) |
| NET PROFIT/(LOSS) FOR THE PERIOD | | **(7,634)** | 285 | **(13,278)** | (5,379) |
| Dividend | *(4)* | – | – | – | – |
| ATTRIBUTABLE TO: | | | | | |
| Equity holders of the Company | | **(7,621)** | 298 | **(13,226)** | (5,427) |
| Minority interests | | **(13)** | (13) | **(52)** | 48 |
| | | **(7,634)** | 285 | **(13,278)** | (5,379) |
| EARNINGS/(LOSS) PER SHARE | | | | | |
| Basic (HK cent) | *(5)* | **(0.462)** | 0.019 | **(0.827)** | (0.400) |
| Diluted (HK cent) | | **(0.429)** | 0.018 | **(0.753)** | (0.371) |

## NOTES:

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounts are prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of the Stock Exchange of Hong Kong ("the GEM Listing Rules").

The accounts have been prepared under the historical cost convention.

The accounting policies and methods of computation used in the preparation of these accounts are consistent with those adopted in the preparation of the audited accounts for the nine months ended 30 June 2005 except for certain new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") issued by HKICPA which are effective for accounting periods commencing on or after 1 January 2005.

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

**Business Combination**

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

**Share-based Payments**

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

Nevertheless, the Group has applied the transactional provisions of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

(a) all options granted to employees on or before 7 November 2002; or

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

No comparative amounts are required to be restated, as no options, which were unvested before 1 January 2005, had been granted and remained outstanding as at 1 July 2005.

## 2. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, excluding value-added tax and business tax.

## 3. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2005: nil).

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 4. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2006 (2005: nil).

## 5. LOSS PER SHARE

The calculation of basic earnings/(loss) per share is based on net loss attributable to shareholders of the Company for the three months and nine months ended 31 March 2006 of approximately HK$7,621,000 and HK$13,226,000, respectively (three months and nine months ended 31 March 2005: approximately profit of HK$298,000 and loss of HK$5,427,000, respectively) and the weighted average number of approximately 1,648,844,000 and 1,598,399,000 (three months and nine months ended 31 March 2005: approximately 1,546,831,000 and 1,357,050,000 respectively) ordinary shares respectively in issue.

The calculation of the diluted earnings/(loss) per share is based on net loss attributable to shareholders for the three months and nine months ended 31 March 2006 of approximately HK$7,621,000 and HK$13,226,000 respectively (three months and nine months ended 31 March 2005: approximately profit of HK$298,000 and loss of HK$5,427,000 respectively) and the weighted average number of approximately 1,775,246,000 and 1,755,953,000 (three months and nine months ended 31 March 2005: approximately 1,679,282,000 and 1,462,329,000 respectively) ordinary shares respectively in issue.

## 6 MOVEMENT OF RESERVES

| | Share premium *HK$'000* | Capital reserve *HK$'000* | Employee share-based payment compensation reserve *HK$'000* | Translation reserve *HK$'000* | Accumulated losses *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| At 1 July 2005 | 55,408 | 15,826 | – | 7 | (73,888) | (2,647) |
| Issue of shares | 31,247 | – | – | – | – | 31,247 |
| Employee share option benefits | – | – | 3,755 | – | – | 3,755 |
| Exchange differences arising from translation of financial statements of overseas operation | – | – | – | (69) | – | (69) |
| Net loss for the period | – | – | – | – | (13,226) | (13,226) |
| At 31 March 2006 | 86,655 | 15,826 | 3,755 | (62) | (87,114) | 19,060 |
| At 1 July 2004 | 44,960 | 17,240 | – | – | (65,677) | (3,477) |
| Issue of shares | 10,215 | – | – | – | – | 10,215 |
| Disposal of subsidiaries | – | (1,414) | – | – | – | (1,414) |
| Exchange differences arising from translation of financial statements of overseas operation | – | – | – | 21 | – | 21 |
| Net loss for the period | – | – | – | – | (5,427) | (5,427) |
| At 31 March 2005 | 55,175 | 15,826 | – | 21 | (71,104) | (82) |

## MANAGEMENT DISCUSSION AND ANALYSIS

During the nine months ended 31 March 2006, the Group principally engaged in the trading of edible oil and oilfield mining.

## FINANCIAL REVIEW

### Results

For the nine months ended 31 March 2006, the Group recorded an unaudited consolidated turnover of approximately HK$20.4 million representing a decrease of approximately 77% as compared to approximately HK$86.6 million for the nine months ended 31 March 2005. The decrease of turnover was attributed to the decrease of sales of edible oil.

The Group's administrative expenses for the nine months ended 31 March 2006 amounted to approximately HK$12.7 million (2005: approximately HK$9 million). The increase in administrative expenses is mainly due to issuance of share options of approximately HK$3.8 million. The administrative expenses mainly consisted of staff costs of approximately HK$9.5 million, legal and professional fee of approximately HK$1.5 million.

Gross profit margin was slightly decreased to 2.7% for the nine months ended 31 March 2006 (2005: 3%). Net loss attributable to the equity holders of the Company for the nine months ended 31 March 2006 was approximately HK$13.2 million (2005: approximately HK$5.4 million). The increase of net loss for the nine months ended 31 March 2006 compared to the corresponding period last year was attributable to the increase of staff costs, as a result of streamlining and restructuring the operations of the Group during the year ending 30 June 2006 for the Group's development in the future.

## BUSINESS REVIEW

Operationally, the results continue to predominantly reflect the trading of edible oil products by the Group as crude production at the Group's Xinjiang Oilfield project has not yet commenced. Performance at the edible oil operations not satisfactory due to keen market competition.

During the period under review, the Group continued to work with China Hua You Group Corporation ("Hua You"), a wholly-owned subsidiary of China National Petroleum Corporation (CNPC), on plans to bring onstream production at the Xin Jiang Oilfield, an oilfield development project in Feng Cheng, Xin Jiang in the PRC in which Aptus Holdings Limited has a 70% stake.

Further, on 31 March 2006, the Group entered into two memoranda of understanding (MOU) with an Independent Third Party, whereby the Group has agreed to make the Capital Contribution to the two joint venture companies in the Southern part of the PRC, each of which is principally engaged in the business of gas pipeline design, and supply, development and management of natural gas distribution facilities in the PRC. Upon completion of the Capital Contribution, the Group would hold 33.46% and 48.33% respectively in the two joint venture companies. The two MOUs are not legally binding and each of them will be subject to the terms of the formal investment agreement to be entered into by the respective parties in due course.

## FUTURE OUTLOOK AND PROSPECTS

According to technical consultant, Information and Technology Development Company, Xin Jiang Oilfield has geological crude reserves of 31m tonnes of which 6.1m to 7.7m tonnes is recoverable. Although development rights on the field extend to 31 December 2016, according to the consultant, all recoverable oil can be extracted within a 9 year period. The mining operation of Xin Jiang Oilfield is anticipated to be managed and operated by Hua You.

Production at the Xin Jiang Oilfield is planned to commence in the second half of this calendar year, enabling the Group to capitalize on the current strong demand and pricing environment for crude thereby enhancing its profitability and operational cashflow.

The longer term objective of management is to develop Aptus Holdings Limited into a diversified oil and gas company with the acquisition of the Xin Jiang Oilfield and the signing of the two pipeline MOUs representing a good start to this process. The establishment of a good business relationship with Hua You is believed to enable the company to explore more business opportunities in the oil and gas industries in the PRC and allow the Group to further expand its business.

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

As at 31 March 2006, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and/or its associated corporations (within the meaning of the Part XV of the Securities and Future Ordinance (the "SFO")) as required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO or otherwise notified to the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

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

| | Number of ordinary shares held | | | | |
|---|---|---|---|---|---|
| Name of director | Personal interest | Corporate interest | Under share option scheme | Total interest | Percentage of the Company's issued share capital |
| Cheung Kwai Lan | – | 915,571,428 *(Note)* | – | 915,571,428 | 55.41 |

*Note:*

The 915,571,428 shares of the Company are owned by Precise Result Profits Limited ("Precise") which is an indirect wholly owned subsidiary of B & B Group Holdings Limited ("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 shares of the Company.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

Pursuant to a pre-IPO share option scheme (the "Pre-Scheme") adopted by the Company on 24 April 2002, the Company had granted pre-IPO shares options on the shares of the Company in favour of certain eligible participants. As at 31 March 2006, 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 the Company. 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 shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-Scheme and other schemes of the Company must not exceed 30% of the shares of Company in issue from time to time. As at 31 March 2006, 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 the Company.

Save as disclosed herein, as at 31 March 2006, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and/or its associated corporations.

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

As at 31 March 2006, the following interests of 5% or more of the issued capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

| Name of shareholder | Capacity | Number of ordinary Shares held | Number of share options and underlying shares held | Aggregate long position | Percentage of shareholding |
|---|---|---|---|---|---|
| Precise | Direct interest of corporation | 915,571,428 | – | 915,571,428 | 55.41 |
| China Success Enterprises Limited *(Note 1)* | Interest of corporation through wholly owned subsidiary | 915,571,428 | – | 915,571,428 | 55.41 |
| B & B *(Note 1)* | Interest of corporation through wholly owned subsidiary | 915,571,428 | – | 915,571,428 | 55.41 |
| Best Frontier Investments Limited *(Note 1)* | Interest of corporation through non-wholly owned subsidiary | 915,571,428 | – | 915,571,428 | 55.41 |
| Cheung Kwai Lan *(Note 2)* | Beneficial owner | 915,571,428 | – | 915,571,428 | 55.41 |
| Chan Tung Mei *(Note 2)* | Beneficial owner | 915,571,428 | – | 915,571,428 | 55.41 |

*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 31 March 2006, Best Frontier Investments Limited was interested in approximately 39.54% of the issued share capital of B & B. The shares of the Company referred to herein relate to the same parcel of shares of the Company 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 shares of the Company under SFO. The shares of the Company referred to herein relate to the same parcel of shares of the Company held by Precise.

   Besides, Madam Cheung Kwai Lan held 1,380,000 shares of B & B as at 31 March 2006.

Save as disclosed above, as at the 31 March 2006, no person, other than a director of the Company, whose interests are set out in the section "Directors' interests and short positions in the shares, underlying shares and debentures" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

## COMPETING INTEREST

As at 31 March 2006, so far as the Directors were aware, none of the Directors or employees of the Company 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.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the Hong Kong Institute of Certified Public Accountants. The primary duties of the audit committee are to review the Company's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee consisted of three independent non-executive directors, namely Mr. Tian He Nian, Zhao Zhi Ming and Mr. To Yan Ming, Edmond. Mr. To Yan Ming, Edmond is the chairman of the audit committee. The Group's audited results for the nine months ended 31 March 2006 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

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

During the nine months ended 31 March 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 11 May 2006

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