



A P T U S

APTUS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code: 8212

FIRST QUARTERLY REPORT 2006/2007



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

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

RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Aptus Holdings Limited (the “**Company**”) herein presents the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 September 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

	<i>Notes</i>	For the three months ended 30 September	
		2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
REVENUE	(2)	17,431	4,774
Cost of sales		(17,059)	(4,485)
Gross profit		372	289
Other revenue		12	4
Selling and distribution costs		(175)	(155)
Administrative expenses		(24,599)	(2,451)
Finance costs		(586)	(6)
LOSS BEFORE TAXATION		(24,976)	(2,319)
Income tax expenses	(3)	–	–
LOSS FOR THE PERIOD		(24,976)	(2,319)
NET LOSS ATTRIBUTABLE TO			
Equity holders of the Company		(24,962)	(2,317)
Minority interests		(14)	(2)
		(24,976)	(2,319)
LOSS PER SHARE			
Basic	(5)	(HK1.496 cents)	(HK0.149 cent)
Diluted		(HK1.405 cents)	(HK0.134 cent)

Notes:

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM Listing Rules").

The unaudited consolidated results have been prepared under historical cost convention and the accounting policies adopted in preparing these unaudited consolidated results are consistent with those followed in the Company's annual audited consolidated financial statements for the year ended 30 June 2006.

2. REVENUE

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable, generated in the business of edible oil distribution.

3. INCOME TAX EXPENSES

No Hong Kong Profits Tax or income tax in other jurisdictions has been provided for the three months ended 30 September 2006 (three months ended 30 September 2005: Nil) as the Group did not generate any assessable profits in Hong Kong or other overseas jurisdictions during the period.

The potential deferred tax asset has not been recognised in the financial statements as the probability that future taxable profit will be available against which the temporary differences can be utilised in the foreseeable future is uncertain.

4. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 September 2006 (three months ended 30 September 2005: Nil).

5. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 30 September 2006 is based on the unaudited net loss attributable to equity holders for the three months ended 30 September 2006 of approximately HK\$24,962,000 (three months ended 30 September 2005: approximately HK\$2,317,000) and the weighted average of 1,668,428,385 shares during the three months ended 30 September 2006 (three months ended 30 September 2005: 1,550,291,319 shares).

The calculation of the diluted loss per share is based on the unaudited net loss attributable to equity holders for the three months ended 30 September 2006 of approximately HK\$24,962,000 (three months ended 30 September 2005: approximately HK\$2,317,000) and the weighted average of 1,776,734,916 shares in issue during the three months ended 30 September 2006 (three months ended 30 September 2005: 1,733,865,262 shares).

6. MOVEMENT OF RESERVES

	(unaudited) Share premium account <i>HK\$'000</i>	(unaudited) Share option reserve <i>HK\$'000</i>	(unaudited) Translation reserve <i>HK\$'000</i>	(unaudited) Capital reserve <i>HK\$'000</i>	(unaudited) Accumulated losses <i>HK\$'000</i>	(unaudited) Total <i>HK\$'000</i>
At 1 July 2006	88,096	23,207	339	15,826	(114,725)	12,743
Exchange differences arising from translation of financial statements of overseas operations	-	-	5	-	-	5
Share issued on exercise of options	21	-	-	-	-	21
Recognition of equity-settled share based payments	-	20,727	-	-	-	20,727
Net loss for the period	-	-	-	-	(24,962)	(24,962)
At 30 September 2006	88,117	43,934	344	15,826	(139,687)	8,534
At 1 July 2005	55,408	-	7	15,826	(73,888)	(2,647)
Exchange differences arising from translation of financial statements of overseas operations	-	-	(1)	-	-	(1)
Share issued on exercise of options	12	-	-	-	-	12
Net loss for the period	-	-	-	-	(2,317)	(2,317)
At 30 September 2005	55,420	-	6	15,826	(76,205)	(4,953)

7. VERY SUBSTANTIAL ACQUISITION

Pursuant to an announcement dated 2 August 2006, on 25 July 2006, the Company entered into capital injection agreements with independent third parties, pursuant to which the Group will acquire 48.33% equity interest in Changde Huayou Gas Co. Ltd. and 33% equity interest in Hunan Huayou Natural Gas Transportation & Distribution Company Limited, at cash consideration of approximately HK\$130.1 million and HK\$78.7 million, respectively.

Changde Huayou Gas Co. Ltd. is managing a city level natural gas project in Changde City in the PRC. Hunan Huayou Natural Gas Transportation & Distribution Company Limited is mainly engaged in the construction of a provincial level main gas pipeline and is to generate revenue by charging city level gas distributors, such as Changde Huayou Gas Co. Ltd., a transportation fee based on each cubic meter of natural gas transported along the pipeline.

These transactions have been approved by the Company's shareholders in the extraordinary general meeting held on 7 November 2006.

8. SUBSEQUENT EVENT

On 7 November 2006, the Company and Evolution Master Fund Ltd. SPC, Segregated Portfolio M (the "Purchaser"), an independent third party, entered into a bond purchase agreement under which, subject to certain conditions, the Company agreed to issue and the Purchaser agreed to subscribe and pay for the bonds in the principal amount of HK\$234,000,000 and the bondholder(s) will have the right to convert their bonds into the Company's shares. The details of the bond purchase agreement are stated in the Company's announcement dated 9 November 2006 and the corresponding circular to be issued subsequently.

MANAGEMENT DISCUSSION AND ANALYSIS

During the three months ended 30 September 2006, the Group principally engaged in the trading of edible oil and oil mining.

FINANCIAL REVIEW

For the three months ended 30 September 2006, the Group's unaudited consolidated revenue and net loss attributable to equity holders of the Company are approximately HK\$17.4 million (three months ended 30 September 2005: approximately HK\$4.8 million) and approximately HK\$25.0 million (three months ended 30 September 2005: approximately HK\$2.3 million) respectively. The edible oil operations have improved slightly in this quarter. The Group's revenue increased sharply by 265% as compared to the amount generated in the corresponding period of last year. However, in order to stimulate the Group's sales, the sales prices of the Group's edible oil products decreased during the period, which caused the gross margin decreased from 6.05% during the three months ended 30 September 2005 to 2.13% in this quarter.

The Group recorded a net loss for the three months ended 30 September 2006. The reason of which was mainly due to the low gross profit margin of trading of edible oil products and the increase of administrative expenses. The increase of administrative expenses was due to the share option expenses of approximately HK\$20.7 million recorded in this quarter (three months ended 30 September 2005: Nil). Factoring out the share option expenses, this quarter's loss was only approximately HK\$4.3 million.

BUSINESS REVIEW

Operationally, the results continue to predominantly reflect the trading of edible oil products as, while drilling at the Group's Xin Jiang Oilfield is progressing, commercial production of crude has yet to commence. With regard the edible operations, revenue was up significantly (as outlined in the Financial Review) but edible oil gross margin decreased due to continuing difficult business conditions.

On the oil side, we have been working hard with China Hua You Group Corporation ("Hua You"), a wholly-owned subsidiary of China National Petroleum Corporation, 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. During the fourth quarter of fiscal 2006, 17 wells were drilled. As at the time of writing this first quarter review, a total of circa 60 wells have now been drilled. The Company's management will continue to work towards bringing on oil production soon.

In July 2006, the Company entered into two agreements to make capital contributions to Changde Huayou Gas Co. Ltd. (“Changde Joint Venture”) (a city level natural gas pipeline project) and Hunan Huayou Natural Gas Transportation & Distribution Company Limited (“Hunan Joint Venture”) (a provincial level natural gas pipeline project). The major shareholder in both these ventures is Hua You. In the Company’s extraordinary general meeting held on 7 November 2006, shareholders of the Company voted in favor of the capital contributions. Consequently, a convertible bond issue of circa US\$30 million (equivalent to HK\$234 million) was announced to finance the capital contributions.

FUTURE OUTLOOK AND PROSPECTS

The short term objective of the Group is to: (i) formally close the convertible bond issue as soon as possible; (ii) complete the capital contributions; and (iii) bring on production at the Xin Jiang Oilfield soon.

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. Meanwhile, with regard the two Joint Ventures to which the Company has committed to, the Changde Joint Venture is already commercially operative whilst the Hunan Joint Venture is expected to be operating commercially before the end of this calendar year.

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 pending completion of the natural gas Joint Ventures representing a good start to this process. In addition to developing the assets we have on hand, we intend to explore more business opportunities in the oil and gas related industries in China and also look to continue strengthening our working relationship with Hua You and look for further opportunities in which we can cooperate.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2006, the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the

register maintained by the Company referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Name of director	Number of ordinary shares held			Total interest	Percentage of the Company's issued share capital
	Personal interest	Corporate interest	Under share option scheme		
Madam Cheung Kwai Lan	-	915,571,428	-	915,571,428	54.88
		(Note)			

Note: These shares are owned by Precise Result Profits Limited ("Precise"), which is an indirect wholly-owned subsidiary of China Vanguard Group Limited ("China Vanguard"). Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares of the Company under SFO for her controlling interests in Best Frontier Investments Limited, which owns approximately 38.64% of the issued share capital of China Vanguard.

(2) Share option scheme

The Company currently operates a share option scheme (the "Scheme"), which is adopted on 13 May 2002, 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.

Pursuant to the Scheme, the board of directors may, at their discretion, grant share options (the "Options") to eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group. The Scheme became effective on 14 May 2002 and will remain in force for ten years from that date.

As at 30 September 2006, all the Options previously granted to the Directors had been cancelled and none of the Directors had outstanding Options of the Company.

Save as disclosed above, as at 30 September 2006, none of the Directors or chief executives of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2006, so far as is known to the Directors and the chief executives of the Company, the interests of the persons or corporations in the shares or underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Capacity	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Precise	Directly held	915,571,428	–	915,571,428	54.88
China Success Enterprises Limited (Note 1)	Held by controlled corporations	915,571,428	–	915,571,428	54.88
China Vanguard (Note 2)	Held by controlled corporations	915,571,428	–	915,571,428	54.88
Best Frontier Investments Limited (Note 3)	Held by controlled corporations	915,571,428	–	915,571,428	54.88
Cheung Kwai Lan (Note 4)	Beneficial owner, held by controlled corporations	915,571,428	–	915,571,428	54.88
Chan Tung Mei (Note 5)	Beneficial owner, held by controlled corporations	915,571,428	–	915,571,428	54.88

Notes:

- 1 Precise is a wholly owned subsidiary of China Success Enterprises Limited. The shares referred to herein related to the same parcel of shares held by Precise.
- 2 China Success Enterprises Limited is a wholly owned subsidiary of China Vanguard. The shares referred to herein related to the same parcel of shares held by Precise.
- 3 As at 30 September 2006, Best Frontier Investments Limited is interested in approximately 38.64% of the issued share capital of China Vanguard. The shares referred to herein related to the same parcel of shares held by Precise.
- 4 Madam Cheung Kwai Lan and Mr. Chan Tung Mei have equity interests of 99.89% and 0.11%, respectively of the issued share capital of Best Frontier Investments Limited. Madam Cheung Kwai Lan is the spouse of Mr. Chan Tung Mei. Accordingly, Madam Cheung Kwai Lan is deemed to be interested in the shares under SFO. The shares referred to herein relate to the same parcel of shares held by Precise.
- 5 Madam Cheung Kwai Lan and Mr. Chan Tung Mei have equity interests of 99.89% and 0.11%, respectively of the issued share capital of Best Frontier Investments Limited. Mr. Chan Tung Mei is the spouse of Madam Cheung Kwai Lan. Accordingly, Mr. Chan Tung Mei is deemed to be interested in the shares under SFO. The shares referred to herein relate to the same parcel of shares held by Precise.

Save as disclosed above, as at 30 September 2006, so far as is known to the Directors and the chief executives of the Company, no other person has interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept by the Company under section 336 of the SFO, or, were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

COMPETING INTERESTS

As at 30 September 2006, so far as the Directors were aware, none of the Directors or employees of the Group 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct for securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “Code”). Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard as set out in the Code.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines published by the HKICPA and the mandatory provisions set out in the Code. The primary duties of the audit committee are to review the Company’s annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company’s financial reporting and internal control procedures. The audit committee consisted of three independent non-executive directors, namely Mr. Tian He Nian, Mr. Zhao Zhi Ming and Mr. To Yan Ming, Edmond. Mr. To Yan Ming, Edmond is the chairman of the audit committee. The Group’s unaudited results for the three months ended 30 September 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 three months ended 30 September 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, 14 November 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.