



APTUS HOLDINGS LIMITED

問博控股有限公司

(Incorporated in the Cayman Islands with limited liability)



2005-2006

Interim 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.

The Stock Exchange takes no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 “Board”) of Aptus Holdings Limited (the “Company”) announces that the unaudited condensed consolidated results of the Company and its subsidiaries (together the “Group”) for the three months and six months ended 31 December 2005, together with the comparative unaudited figures for the corresponding periods in 2004, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT – UNAUDITED

For the three months and six months ended 31 December 2005

	Notes	(Unaudited)		(Unaudited)	
		Three months ended 31 December 2005 HK\$'000	2004 HK\$'000	Six months ended 31 December 2005 HK\$'000	2004 HK\$'000
Turnover	2	8,003	23,536	12,777	57,451
Cost of sales		(7,866)	(23,202)	(12,351)	(55,170)
Gross profit		137	334	426	2,281
Other revenue		59	292	63	4,633
Selling and distribution costs		(101)	(263)	(256)	(125)
Administrative expenses		(3,387)	(1,516)	(5,838)	(6,900)
Other operating expenses		–	–	–	(2,703)
Loss on disposal of a jointly controlled entity		–	–	–	(2,789)
Gain on disposal of subsidiaries		–	–	–	60
Loss from operations	4	(3,292)	(1,153)	(5,605)	(5,543)
Finance costs		(14)	(94)	(20)	(122)
Share of loss of a jointly controlled entity		–	–	–	3
Loss before taxation		(3,306)	(1,247)	(5,625)	(5,662)
Taxation	5	(19)	(2)	(19)	(2)
Loss after taxation		(3,325)	(1,249)	(5,644)	(5,664)
Attributable to:					
Shareholders of the Company		(3,288)	(1,254)	(5,605)	(5,725)
Minority interests		(37)	5	(39)	61
		(3,325)	(1,249)	(5,644)	(5,664)
Loss per share	7				
– basic (HK cent)		(0.214)	(0.081)	(0.359)	(0.448)
– diluted (HK cent)		(0.195)	(0.077)	(0.324)	(0.431)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 December 2005

		(Unaudited) 31 December 2005 HK\$'000	(Audited) 30 June 2005 HK\$'000
Non-current assets			
Property, plant and equipment		64	53
Goodwill	8	3,361	3,361
Deposits made on investment in a subsidiary		15,023	–
		<u>18,448</u>	<u>3,414</u>
Current assets			
Accounts receivable	9	–	9,605
Prepayments, deposits and other receivables		257	117
Bank balances and cash		31,871	10,955
		<u>32,128</u>	<u>20,677</u>
Current liabilities			
Accounts payable	10	56	9,549
Accrued liabilities and other payables		2,806	1,575
Taxation		19	5
		<u>2,881</u>	<u>11,129</u>
Net current assets		<u>29,247</u>	<u>9,548</u>
Total assets less current liabilities		47,695	12,962
Non-current liabilities			
Other loan		22,500	–
Net assets		<u>25,195</u>	<u>12,962</u>
Capital and reserves			
Share capital	11	16,484	15,501
Reserves		8,642	(2,647)
Shareholders' fund		<u>25,126</u>	<u>12,854</u>
Minority interests		69	108
		<u>25,195</u>	<u>12,962</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT – UNAUDITED*For the six months ended 31 December 2005*

	(Unaudited)	
	Six months ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
Net cash outflow from operating activities	(4,415)	(7,093)
Net cash (outflow)/inflow from investing activities	(5,041)	5,689
Net cash inflow from financing activities	30,371	12,284
Net cash outflow from taxation	(5)	–
	<hr/>	<hr/>
Net increase in cash and cash equivalents	20,910	10,880
Effect of foreign exchange rates change	6	38
Cash and cash equivalents at beginning of the period	10,955	3,518
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	<u>31,871</u>	<u>14,436</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>31,871</u>	<u>14,436</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

For the six months ended 31 December 2005

	(Unaudited) Share capital <i>HK\$'000</i>	(Unaudited) Share premium <i>HK\$'000</i>	(Unaudited) Capital reserve <i>HK\$'000</i>	(Unaudited) Translation reserve <i>HK\$'000</i>	(Unaudited) Retained profit <i>HK\$'000</i>	(Unaudited) Total <i>HK\$'000</i>	(Unaudited) Minority interest <i>HK\$'000</i>	(Unaudited) Total equity <i>HK\$'000</i>
At 1 July 2005, as previously reported	15,501	55,408	15,826	7	(73,888)	12,854	–	12,854
At 1 July 2005, as previously separately reported as minority interests	–	–	–	–	–	–	108	108
At 1 July 2005, as restated	15,501	55,408	15,826	7	(73,888)	12,854	108	12,962
Issue of shares pursuant to exercises of share options	983	16,888	–	–	–	17,871	–	17,871
Exchange differences arising from translation of financial statements of overseas operation	–	–	–	6	–	6	–	6
Net loss for the period	–	–	–	–	(5,605)	(5,605)	(39)	(5,644)
Balance as at 31 December 2005	<u>16,484</u>	<u>72,296</u>	<u>15,826</u>	<u>13</u>	<u>(79,493)</u>	<u>25,126</u>	<u>69</u>	<u>25,195</u>
Balance as at 1 July 2004	6,183	44,960	17,240	–	(65,677)	2,706	–	2,706
Issue of shares pursuant to sale and purchase agreement and subscription agreement	9,285	10,215	–	–	–	19,500	–	19,500
Contribution from minority shareholders	–	–	–	–	–	–	53	53
Exchange differences arising from translation of financial statements of overseas operation	–	–	–	38	–	38	–	38
Net loss for the period	–	–	–	–	(5,725)	(5,725)	61	(5,664)
Balance as at 31 December 2004	<u>15,468</u>	<u>55,175</u>	<u>17,240</u>	<u>38</u>	<u>71,402</u>	<u>16,519</u>	<u>114</u>	<u>16,633</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

The accounts have been prepared under the historical cost convention.

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

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

Business Combination

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

Share-based Payments

The adoption of HKFRS 2 has resulted in a change in the accounting policy for employee share option benefits. Until 30 June 2005, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 July 2005, the Group expenses the cost of share options in the profit and loss account.

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

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

No adjustments to the opening balances as at 1 July 2005 are required as no options existed at that time which were unvested at 1 January 2005.

2. TURNOVER

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

3. SEGMENT INFORMATION

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

	Turnover		Segment results		Segment assets		Capital expenditure	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	31 December 2005	31 December 2004	31 December 2005	31 December 2004	31 December 2005	31 December 2004	31 December 2005	31 December 2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	-	40,934	-	398	-	307	-	-
Hong Kong	-	1,755	-	1,755	49,589	14,250	18	52
South East Asia	12,777	14,761	426	128	987	5,872	-	-
	<u>12,777</u>	<u>57,450</u>	<u>426</u>	<u>2,281</u>	<u>50,576</u>	<u>20,429</u>	<u>18</u>	<u>52</u>
Unallocated income			63	4,693				
Unallocated expenses			(6,094)	(12,517)				
Loss from operations			<u>(5,605)</u>	<u>(5,543)</u>				

4. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended	
	31 December	
	2005	2004
	HK\$'000	HK\$'000
Amortisation of goodwill	-	81
Depreciation of property, plant and equipment	7	785
Interest income	(63)	(7)
Other income	-	(285)
	<u>-</u>	<u>(285)</u>

5. TAXATION

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong during the period (2004: nil).

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

6. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 31 December 2005 (six months ended 31 December 2004: nil).

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the unaudited net loss for the three months and six months ended 31 December 2005 of approximately HK\$3.3 million and HK\$5.6 million respectively (three months and six months ended 31 December 2004: approximately HK\$1.3 million and HK\$5.7 million respectively) and of the weighted average number of approximately 1,554,028,515 and 1,573,724,689 (three months and six months ended 31 December 2004: approximately 1,546,831,428 and 1,264,222,733 respectively) ordinary shares respectively in issue.

The calculation of the diluted loss per share is based on the unaudited net loss for the three months and six months ended 31 December 2005 of approximately HK\$3.3 million and HK\$5.6 million respectively (three months and six months ended 31 December 2004: approximately HK\$1.3 million and HK\$5.7 million respectively) and of the weighted average number of approximately 1,702,592,303 and 1,740,619,580 (three months and six months ended 31 December 2004: approximately 1,634,812,619 and 1,313,644,944 respectively) ordinary shares respectively in issue.

8. GOODWILL

	(Unaudited) 31 December 2005 <i>HK\$'000</i>	(Audited) 30 June 2005 <i>HK\$'000</i>
At beginning of the period/year	3,361	3,982
Amortisation charge	–	(621)
At end of the period/year	<u>3,361</u>	<u>3,361</u>

9. ACCOUNTS RECEIVABLE

Payment terms with customers 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 aged analysis of the Group's accounts receivable at the balance sheet dates, is as follows:

	(Unaudited) 31 December 2005 <i>HK\$'000</i>	(Audited) 30 June 2005 <i>HK\$'000</i>
Within 90 days	<u>–</u>	<u>9,605</u>

10. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable at the balance sheet dates, is as follows:

	(Unaudited) 31 December 2005 <i>HK\$'000</i>	(Audited) 30 June 2005 <i>HK\$'000</i>
Within 90 days	<u>56</u>	<u>9,549</u>

11. SHARE CAPITAL

Shares

	(Unaudited)	(Audited)
	31 December	30 June
	2005	2005
	HK\$'000	HK\$'000
<i>Authorised:</i>		
20,000,000,000 (30 June 2005: 20,000,000,000) ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
<i>Issued and fully paid:</i>		
1,648,426,428 (30 June 2005: 1,550,156,428) ordinary shares of HK\$0.01 each	<u>16,484</u>	<u>15,501</u>

Share options

The Company operates the Share Option Scheme, details of the share option schemes of the Company are set out in the paragraph headed "Directors' interests and short positions in shares, underlying shares and debentures". At 31 December 2005, the Company had outstanding share options entitling the holders to subscribe for 133,085,000 shares in the Company respectively.

12. OPERATING LEASES COMMITMENTS

(a) As lessor

At 31 December 2005, the Group had no significant future minimum lease receivables under non-cancellable operating leases (30 June 2005: nil).

At 31 December 2005, the Company had no significant future minimum lease receivables under non-cancellable operating leases (30 June 2005: nil).

(b) As lessee

At 31 December 2005, the Group had no significant future minimum lease payments under non-cancellable operating leases (30 June 2005: nil).

At 31 December 2005, the Company had no significant future minimum lease payments under non-cancellable operating leases (30 June 2005: nil).

13. CAPITAL COMMITMENTS

At 31 December 2005, neither the Group, nor the Company had any significant capital commitments (30 June 2005: nil).

14. EVENTS AFTER THE BALANCE SHEET DATE

The acquisition of equity interest in CNPC HuaYou CU Energy Investment Co. Ltd had been completed on 11 January 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial performance

For the six months ended 31 December 2005, the Group recorded an unaudited consolidated turnover of approximately HK\$12.8 million representing a decrease of approximately 77.8% as compared to approximately HK\$57.5 million for the six months ended 31 December 2004. The decrease of turnover was attributed to the decrease of sales of edible oil.

The Group's administrative expenses amounted to approximately HK\$5.8 million (six months ended 31 December 2004: approximately HK\$6.9 million), representing a decrease of approximately 15.4%. The administrative expenses consisted mainly of staff costs of approximately HK\$3.5 million and legal and professional fee of approximately HK\$1.3 million.

Net loss attributable to shareholders for the six months ended 31 December 2005 was approximately HK\$5.6 million (six months ended 31 December 2004: approximately HK\$5.7 million), representing an improvement of 2.1%. Gross profit margin was slightly decrease to 3.3% for the six months period under review (six months ended 31 December 2004: approximately 4%).

Liquidity, financial resources and capital structure

As at 31 December 2005, the Group had assets of approximately HK\$50.6 million (30 June 2005: approximately 24.1 million), including net cash and bank balances of approximately HK\$31.9 million (30 June 2005: approximately HK\$11 million).

During the six months ended 31 December 2005, the Group issued 20,000,000 shares as part of consideration to acquire equity interest of CNPC HuaYou CU Energy Investment Co. Ltd. and 78,270,000 shares under the share option schemes as incentives and rewards to its full time employees and the consultants. The Group financed its operations and investing activities with internally generated cash flows, long term borrowings and the balance of the proceeds from the issuance of new shares under the share option schemes. There was no charge on the Group's assets as at 31 December 2005 (30 June 2005: nil).

As at 31 December 2005, the Group had borrowings of HK\$22.5 million. The gearing ratio, defined as the ratio between total long term borrowings and shareholders' equity, was 89.5% (30 June 2005: nil).

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2005 (30 June 2005: nil).

Commitments

At 31 December 2005, neither the Group, nor the Company has any significant capital commitments (30 June 2005: nil) and operating leases commitment (30 June 2005: nil).

Significant investments and acquisitions

In June 2005, the Group entered into an agreement with China United Company Limited to acquire 70% equity interest of CNPC HuaYou CU Energy Investment Co. Ltd. (“**CNPC Investment**”). CNPC Investment is, a sino foreign co-operative joint venture enterprise established by China Hua You Group Corporation (“**Hua You**”) and a company established in Hong Kong, an independent third party. CNPC Investment has an oilfield development project located in Feng Cheng, Xin Jiang the People’s Republic of China (the “**PRC**”) (“**Xin Jiang Oilfield**”). The acquisition had been completed 11 January 2006.

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.

Employees

The Group employed 15 full-time employees as at 31 December 2005. Employees’ remuneration is in line with market conditions, working experience and performance. In addition to basic salaries and provident fund contributions, the Group also offers medical benefits and training programs.

BUSINESS REVIEW

During the period under review, the Group’s trading of edible oil was not satisfactory. The Group shifted its focus to the oilfield development. The management also has been realigned the organizational structure of the Group and continue to explore other business opportunities.

FUTURE OUTLOOK AND PROSPECTS

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

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

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

As at the 31 December 2005, 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 Futures Ordinance (the "SFO")) (a) which were required 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 (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 the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Long positions in the ordinary shares of the Company

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		
Cheung Kwai Lan	-	928,571,428 <i>(Note)</i>	-	928,571,428	56.33

Note:

The 928,571,428 ordinary 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 favor of certain eligible participants. As at 31 December 2005, all of the pre-IPO shares options granted had been cancelled and none of these options had been exercised.

At the same date of adoption of the aforesaid Pre-Scheme, a post-IPO share option scheme (the "Post-Scheme") was also approved by 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 the Company in issue from time to time. As at 31 December 2005, all of the post-IPO shares options previously granted to the Directors had been cancelled and none of the Directors had outstanding share options of the Company.

Save as disclosed herein, as at 31 December 2005, 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 (within the meaning of Part XV of the SFO) (a) which were required 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 (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 the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors.

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

As at 31 December 2005, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the shares of the Company or underlying shares of the Company which would fall to be disclosed to the Company 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 ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Precise	Direct interest of corporation	928,571,428	–	928,571,428	56.33
China Success Enterprises Limited <i>(Note 1)</i>	Interest of corporation through wholly owned subsidiary	928,571,428	–	928,571,428	56.33
B & B <i>(Note 1)</i>	Interest of corporation through wholly owned subsidiary	928,571,428	–	928,571,428	56.33
Best Frontier Investments Limited <i>(Note 1)</i>	Interest of corporation through non-wholly owned subsidiary	928,571,428	–	928,571,428	56.33
Cheung Kwai Lan <i>(Note 2)</i>	Beneficial owner	928,571,428	–	928,571,428	56.33
Chan Tung Mei <i>(Note 2)</i>	Beneficial owner	928,571,428	–	928,571,428	56.33

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 December 2005, Best Frontier Investments Limited was interested in approximately 50.01% 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 December 2005.

Save as disclosed above, as at 31 December 2005, the Directors or chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares and debentures of the Company which would fall to be disclosed to the Company under Section 336 of the SFO, or who is interested in 5% or more of the Company's issued share capital.

COMPETING INTEREST

As at the 31 December 2005, 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.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 December 2005, except for the following deviations:

- Code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Articles of Association of the Company (the "Articles"). The Directors have not been required by the Articles to retire by rotation at least once every three years. However, in accordance with article 87 of the Articles, at each annual general meeting of the Company, one-third of the Directors (other than the Managing Director or Joint Managing Director) for the time being, or, if their number is not three or a multiple of three, the number nearest to, but not exceeding, one-third, shall retire from office by rotation. As such, the management considered that there is no imminent need to amend the Articles.

- Code provision B1.1 stipulates the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the remuneration committee should be independent non-executive directors. The Company has not set up a remuneration committee during the period under review. Nevertheless, the staff (including Directors) remuneration policies have been set out in annual reports, which were received by shareholders in the general meetings and stipulated in the Directors' service contracts.

The Directors will review the corporate governance structure and practices from time to time and shall make necessary arrangement when the Board consider appropriate.

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 of Conduct"). 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 of Conduct.

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 unaudited results for the six months ended 31 December 2005 have been reviewed by the audit committee which was of the opinion that the preparation of such results complied with applicable accounting standards and requirements and that adequate disclosures had been made.

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

During the six months ended 31 December 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
CHAN Ting
Executive Director

Hong Kong, 13 February 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.