

# First Quarterly Report 2007/2008

Stock Code : 8212



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

(INCORPORATED IN CAYMAN ISLANDS WITH LIMITED LIABILITY)

## **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 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 announcement 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 of Hong Kong Limited takes no responsibility for the contents of this report, makes 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 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 Growth Enterprise Market of the Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to Aptus Holdings Limited. 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 consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 September 2007, together with the comparative unaudited figures for the corresponding period in 2006, are as follows:

		<b>(Unaudited)</b>	
		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2007</b>	2006
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
REVENUE	<i>2</i>	<b>30,917</b>	17,431
Cost of sales		<b>(26,126)</b>	(17,059)
Gross profit		<b>4,791</b>	372
Other revenue		<b>70</b>	12
Selling and distribution costs		<b>(2,961)</b>	(175)
Administrative expenses		<b>(12,740)</b>	(24,599)
Finance costs		<b>(7,791)</b>	(586)
Loss on deemed disposal of a subsidiary	<i>3</i>	<b>(7)</b>	–
Share of profit of an associate	<i>3</i>	<b>11</b>	–
LOSS BEFORE TAXATION		<b>(18,627)</b>	(24,976)
Income tax expenses	<i>4</i>	<b>(175)</b>	–
LOSS FOR THE PERIOD		<b>(18,802)</b>	(24,976)
NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Company		<b>(18,712)</b>	(24,962)
Minority interests		<b>(90)</b>	(14)
		<b>(18,802)</b>	(24,976)
LOSS PER SHARE	<i>5</i>		
Basic (HK cents)		<b>(1.102)</b>	(1.496)

*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 ("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 unaudited consolidated results have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the preparation of these unaudited consolidated results are consistent with those applied in the annual financial statements for the year ended 30 June 2007.

## **2. REVENUE RECOGNITION**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of gas and gas appliances are recognized when goods are delivered and title has passed.

Gas transportation revenue and gas connection fee income are recognized when the corresponding services are performed.

Sales of edible oil products are recognized when goods are delivered and title has been passed.

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

## **3. DEEMED DISPOSAL OF A SUBSIDIARY**

In August 2007, Linli Huayou Gas Co., Limited ("Linli Huayou") increased its registered capital from RMB5,000,000 to RMB7,200,000. The additional capital of RMB2,200,000 was paid by an independent third party. As a result, Changde Huayou Gas Co., Limited's (a jointly controlled entity of the Group) equity interest in Linli Huayou decreased from 70% to 48.6%, and Linli Huayou changed from a subsidiary to an associate of Changde Huayou Gas Co., Limited.

---

#### **4. INCOME TAX EXPENSES**

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 (2006: NIL). Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

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

The calculation of basic loss per share for the three months ended 30 September 2007 is based on the unaudited net loss attributable to equity holders for the three months ended 30 September 2007 of approximately HK\$18,712,000 (three months ended 30 September 2006: approximately HK\$24,962,000) and the weighted average of 1,697,881,428 shares during the three months ended 30 September 2007 (three months ended 30 September 2006: 1,668,428,385 shares).

No diluted loss per share has been presented in each of three months ended 30 September 2007 and 2006, as the outstanding share options and convertible bonds of the Company are anti-dilutive since their exercise or concession would result in a decrease in loss per share.

#### **6. DIVIDEND**

The Board does not recommend the payment of any dividend for the three months ended 30 September 2007 (2006: NIL).

## 7. MOVEMENT OF RESERVES

	(Unaudited) Share option reserve <i>HK\$'000</i>	(Unaudited) Convertible bonds reserve <i>HK\$'000</i>	(Unaudited) Translation reserve <i>HK\$'000</i>	(Unaudited) Share premium account <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 2007	78,120	10,712	5,384	90,960	15,826	(225,489)	(24,487)
Exchange differences arising from translation of financial statements of overseas operations	-	-	1,717	-	-	-	1,717
Recognition of equity-settled share based payments	7,674	-	-	-	-	-	7,674
Net loss for the period	-	-	-	-	-	(18,712)	(18,712)
<b>At 30 September 2007</b>	<b>85,794</b>	<b>10,712</b>	<b>7,101</b>	<b>90,960</b>	<b>15,826</b>	<b>(244,201)</b>	<b>(33,808)</b>
At 1 July 2006	23,207	-	339	88,096	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	43,934	-	344	88,117	15,826	(139,687)	8,534

## MANAGEMENT DISCUSSION AND ANALYSIS

Aptus Holdings Limited is engaged in the trading of edible oil, oilfield mining and operation of the natural gas business in China. In February 2007, the Group completed the investment in Hunan Huayou Natural Gas Transportation and Distribution Company Limited and Changde Huayou Gas Co., Limited (collectively referred to as the “Hunan Joint Ventures”), the principal businesses of which are provision of gas transportation services via the Changsha to Changde provincial level pipeline to city gas level distributors along the pipeline and the operation of a city level natural gas distribution project in Changde City, Hunan Province, the PRC. The Hunan Joint Ventures are treated as jointly controlled entities of the Group and thus the two ventures’ accounts can be consolidated into our accounts on a proportional basis rather than just equity accounted.

## FINANCIAL REVIEW

For the three months ended 30 September 2007, the Group recorded an unaudited consolidated turnover of approximately HK\$30.9 million, which represented an increase of approximately 77.6% as compared to approximately HK\$17.4 million for the three months ended 30 September 2006. Of the HK\$13.5 million in additional turnover, the Group’s sales of edible oil products increased by approximately HK\$0.7 million as compared to the previous corresponding period. The balance of the increase of HK\$12.8 million was due to the contribution from our attributable share of turnover from the Hunan Joint Ventures in this quarter.

The gross profit for the three months ended 30 September 2007 increased by approximately 11 times to approximately HK\$4.8 million (2006: HK\$0.4 million). HK\$4.5 million of the gross profit was generated by our gas sector operations and HK\$0.3 million was generated by our trading of edible oil products operations. Overall, gross margin increased to approximately 15.5% for the three months ended 30 September 2007 from approximately 2.1% previously, thanks to the inclusion of the new gas operations. Gross margin for the trading of edible oil products for the three months ended 30 September 2007 was approximately 1.4% against 2.1% previously. The lower gross margins here were due to the low-price strategy adopted by the Group in reaction to tough market conditions. This, however, was more than offset by the 35% gross profit margin being achieved by our new gas operations resulting in an overall higher gross margin for the fiscal year to date.

Net loss for the period under review decreased by approximately 24.8% to HK\$18.8 million from HK\$25.0 million previously. The bulk of the decrease in net loss can be explained by the net effect of the following items: (i) decrease in share option expenses by approximately HK\$13 million; and (ii) imputed finance cost for convertible bonds of approximately HK\$6.1 million (2006: NIL). During the first quarter of the previous fiscal year, share option expenses were approximately HK\$20.7 million and the convertible bonds were not yet issued. Share option expenses incurred in this quarter amounted to HK\$7.7 million.

## **BUSINESS REVIEW**

Operationally, the results predominately reflect the trading of edible oil products and the selling of natural gas. While drilling at the Group's Xin Jiang Oilfield is in progress, commercial production of crude has yet to commence.

With regards to the edible oil operations, turnover for the first quarter of 2007/2008 was approximately HK\$18.1 million (2006: HK\$17.4 million) and gross profit was approximately HK\$0.25 million (2006: HK\$0.37 million). Turnover was up but gross profit decreased in this quarter due to continuing difficult business conditions.

On the natural gas side, our 48.33% stake Changde Huayou Gas Co., Limited (a city level natural gas pipeline project) and 33.0% stake Hunan Huayou Natural Gas Transportation and Distribution Company Limited (a provincial level natural gas pipeline project), contributed a combined turnover of HK\$12.8 million to the Group for the first quarter of 2007/2008 (2006: NIL), and combined gross profit of approximately HK\$4.5 million (2006: NIL).

## **FUTURE OUTLOOK AND PROSPECTS**

The objective of the Group is to: (i) expand the operating scale of the natural gas joint ventures to take advantages of the fast growing commercial, industrial and residential usage demand in Hunan and (ii) to bring on commercial operation at the Xin Jiang Oilfield.

In addition to developing the assets we have on hand at the moment, we intend to explore more business opportunities in the oil and gas related industries in China and also look to continue developing our working relationship with Huayou and explore for further opportunities in which we can cooperate.

With National policy of the Central Government of the PRC promoting the use of natural gas, a more environmental friendly source of energy, and the buoyant demand for energy in China. We believe the future is very bright for the oil and natural gas sector in China.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 2007, 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 or any of its associated corporations

	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	-	971,746,428	-	971,746,428	57.23

*Note:* These shares are owned by Precise Result Profits Limited, which is an indirect wholly-owned subsidiary of China Vanguard Group Limited. 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 Group Limited.

## **(2) Share option scheme**

As at 30 September 2007, no share option had been granted or agreed to be granted to the Directors and chief executives under the share option scheme.

Save as disclosed above, as at 30 September 2007, 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 and short positions 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 AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY**

As at 30 September 2007, so far as is known to the Directors and the chief executives of the Company, the interests and short positions 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:

## Long positions in the shares

Name of Shareholder	Capacity	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Precise Result Profits Limited ( <i>Note 1</i> )	Beneficial owner, directly held	971,746,428	–	971,746,428	57.23
China Success Enterprises Limited ( <i>Notes 1 and 2</i> )	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.23
China Vanguard Group Limited ( <i>Notes 1 and 3</i> )	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.23
Best Frontier Investments Limited ( <i>Notes 1 and 4</i> )	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.23
Cheung Kwai Lan ( <i>Notes 1 and 5</i> )	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.23
Chan Tung Mei ( <i>Notes 1 and 6</i> )	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.23
Evolution Master Fund, Ltd. SPC, Segregated Portfolio M (“Evolution M Fund”) ( <i>Notes 7 and 8</i> )	Beneficial owner	57,730,000	97,500,000	155,230,000	9.14
Evolution Capital Management, LLC ( <i>Notes 7, 8 and 9</i> )	Investment manager	57,730,000	97,500,000	155,230,000	9.14

## Short positions in underlying shares of the Company

Name of shareholders	Capacity	Number of underlying shares	Percentage of shareholding
Evolution M Fund <i>(Note 8)</i>	Beneficial owner	48,750,000	2.87
Evolution Capital Management, LLC <i>(Notes 8 and 9)</i>	Investment manager	48,750,000	2.87

### Notes:

- As further detailed in note 8 below, 48,750,000 share of the Company, which were included in 971,746,428 shares as at 30 September 2007, were lent to Evolution M Fund.
- Precise Result Profits Limited ("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.
- China Success Enterprises Limited is a wholly owned subsidiary of China Vanguard Group Limited ("China Vanguard"). The shares referred to herein related to the same parcel of shares held by Precise.
- As at 30 September 2007, 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.
- 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.
- 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.
- On 7 November 2006, Evolution M Fund entered into an agreement with the Company to subscribe convertible bonds in the aggregate principal amount of HK\$234,000,000 of the Company, which were then issued to Evolution M Fund on 22 November 2006. Assuming the convertible bonds are fully converted into the Company's shares at the initial conversion price of HK\$2.40 each, the convertible bonds will be converted into 97,500,000 shares of the Company. As at 30 September 2007, the outstanding principal amount of the convertible bonds were HK\$234,000,000.

8. As a condition precedent to the issue of the convertible bonds, China Vanguard entered into a stock lending agreement with Evolution M Fund, pursuant to which China Vanguard agrees to lend to Evolution M Fund up to 48,750,000 shares of the Company (the "Borrowed Shares"). Evolution M Fund exercised its right under the stock lending agreement and China Vanguard lent 48,750,000 shares of the Company to Evolution M Fund on 7 March 2007. As at 30 September 2007, Evolution M Fund held 8,980,000 ordinary shares of the Company and 48,750,000 Borrowed Shares of the Company, totaling 57,730,000 shares of the Company.
9. As the investment manager of Evolution M Fund, Evolution Capital Management, LLC is deemed to be interested in the aggregated long and short positions in the shares and underlying shares of the Company held by Evolution M Fund.

Save as disclosed above, as at 30 September 2007, 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 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, was, directly or indirectly, interest in 5% 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.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the three months ended 30 September 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **COMPETING INTERESTS**

None of the Directors or the management shareholders of the Company or any of their respective associates (as defined in the GEM Listing Rules) had any business that competed or might compete with the business of 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, 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 2007 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.

By order of the Board,

**Chan Ting**

*Director*

Hong Kong, 14 November 2007

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