



問博控股有限公司  
**APTUS HOLDINGS LIMITED**

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)  
Stock Code : 8212



**First Quarterly Report 2008/2009**

## **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 Stock Exchange 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 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 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 2008, together with the comparative unaudited figures for the corresponding period in 2007, are as follows:

		<b>(Unaudited)</b>	
		<b>Three months ended</b>	
		<b>30 September</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	2	<b>39,902</b>	30,917
Cost of sales		<b>(35,655)</b>	(26,126)
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Gross profit		<b>4,247</b>	4,791
Other revenue		<b>437</b>	70
Selling and distribution costs		<b>(4,374)</b>	(2,961)
Administrative expenses		<b>(3,109)</b>	(12,740)
Finance costs		<b>(10,780)</b>	(7,791)
Loss on deemed disposal of a subsidiary		–	(7)
Share of profit of an associate		<b>117</b>	11
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LOSS BEFORE TAXATION		<b>(13,462)</b>	(18,627)
Income tax expenses	3	–	(175)
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LOSS FOR THE PERIOD		<b>(13,462)</b>	(18,802)
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NET LOSS ATTRIBUTABLE TO:			
Equity holders of the Company		<b>(13,406)</b>	(18,712)
Minority interests		<b>(56)</b>	(90)
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		<b>(13,462)</b>	(18,802)
<hr/>			
LOSS PER SHARE	4		
Basic (HK cents)		<b>(0.763)</b>	(1.102)
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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 2008.

## **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. 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 (2007: 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.

#### 4. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the Group's loss attributable to the equity holders of the Company:

	(Unaudited)	
	Three months ended 30 September	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purpose of basic loss per share	<u>13,406</u>	<u>18,712</u>
<b>Number of shares</b>		
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,757,152</u>	<u>1,697,881</u>

No diluted loss per share has been presented in both periods, as 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.

#### 5. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 30 September 2008 (2007: NIL).

## 6. MOVEMENT OF RESERVES

	(Unaudited) Share option reserve HK\$'000	(Unaudited) Convertible bonds reserve HK\$'000	(Unaudited) Translation reserve HK\$'000	(Unaudited) Share premium account HK\$'000	(Unaudited) Capital reserve HK\$'000	(Unaudited) Accumulated losses HK\$'000	(Unaudited) Total HK\$'000
At 1 July 2008	-	10,712	24,516	95,051	15,826	(196,538)	(50,433)
Exchange differences arising from translation of financial statements of overseas operations	-	-	1,339	-	-	-	1,339
Share issued on exercise of options	-	-	-	1,359	-	-	1,359
Net loss for the period	-	-	-	-	-	(13,406)	(13,406)
<b>At 30 September 2008</b>	<b>-</b>	<b>10,712</b>	<b>25,855</b>	<b>96,410</b>	<b>15,826</b>	<b>(209,944)</b>	<b>(61,141)</b>
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>

## 7. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date on 23 October 2008, the Company, the Trustee and the Security Trustee entered into the Amendment Deed, pursuant to which, the first Put Option Date of the convertible bonds issued by the Company was amended from 21 November 2008 to 21 February 2009. Further details of the Amendment Deed are referred to the joint announcement made by the Company and China Vanguard Group Limited dated 23 October 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

Aptus Holdings Limited is divided into 3 operating segments: (1) two downstream natural gas related operations in the province of Hunan, the PRC; (2) a crude oil mining operation via Xin Jiang Oilfield; and (3) an edible oil trading business via our non-listed Singapore subsidiary.

### FINANCIAL REVIEW

For the three months ended 30 September 2008 (“Period 2008”), the Group recorded an unaudited consolidated turnover of approximately HK\$39.9 million, which represented an increase of approximately 29.1% as compared to approximately HK\$30.9 million for the three months ended 30 September 2007 (“Period 2007”). The increase of HK \$9 million in revenue was mainly due to the higher contributions from our attributable share of turnover from the Changde Huayou Gas Co., Ltd. (“Changde Joint Venture” in which the Group has a stake of 48.33%) and the Hunan Huayou Natural Gas Transportation and Distribution Company Limited (“Hunan Joint Venture” in which the Group has a stake of 33%) as they recorded a significant growth in revenue as compared to the previous corresponding period. The Changde Joint Venture and the Hunan Joint Venture contributed approximately HK\$21.6 million in revenue as compared to approximately HK\$12.8 million for the previous corresponding period, an increase of about 68.8%.

The gross profit for the Period 2008 decreased by approximately 12.5% to approximately HK\$4.2 million (Period 2007: approximately HK\$4.8 million). Approximately HK\$4.2 million (Period 2007: approximately HK\$4.5 million) of gross profit was generated by our natural gas related operations, approximately HK\$46,000 of gross profit was generated by our edible oil trading business (Period 2007: approximately HK\$0.3 million).

Overall, gross profit ratio decreased significantly to approximately 10.6% for the Period 2008 as compared to 15.5% for the Period 2007. Gross margin for the edible oil trading business for the Period 2008 was approximately 0.3% against 1.4% previously. The lower gross margin here was due to the low-price strategy adopted by the Group in reaction to tougher market conditions and continuous increase in the price of consumer goods purchased. Gross margin of the natural gas related operation decreased from 35.9% in Period 2007 to 19.4% in Period 2008. This was mainly attributable to the change of accounting estimate on depreciation of gas pipelines held by the natural gas joint ventures. The corresponding year of depreciation of gas pipelines changed from 20 years to 14 years since December 2007. No effect on the joint ventures’ cashflow was resulted due to the aforesaid change of accounting estimate.

For the three months ended 30 September 2008, net loss was approximately HK\$13.5 million (Period 2007: net loss of approximately HK\$18.8 million), a decrease of about 28% compared to the previous corresponding period. The decrease was mainly attributable to the net effect of (i) less share option expenses charged against the Group's profit and loss account from approximately HK\$7.7 million in the Period 2007 and no share option expenses recorded in current period; and (ii) imputed finance cost for convertible bonds of approximately HK\$8.9 million (Period 2007: HK\$6.1 million).

## **BUSINESS REVIEW**

Operationally, the results continue to predominately reflect the edible oil trading business and the distribution of natural gas.

The Changde Joint Venture has completed about 712 km of city-level pipelines connecting approximately 170 commercial users, 8 industrial users, 109 public welfare establishments and approximately 57,000 residential users to its network as of the date of this report. The Hunan Joint Venture has completed the construction of its main pipelines (about 188 km in total) branching out to reach 7 city-level gas distribution stations in the province of Hunan.

Business conditions continued to be tough for the edible oil trading business as cost of basic consumer goods continue to rise resulting in margin pressure throughout the supply chain.

## **FUTURE OUTLOOK AND PROSPECTS**

Natural gas related operations will continue to be the key revenue driver of the Group. We will concentrate on scaling up operation at the two natural gas joint ventures in Hunan province.

Regarding the Xin Jiang Oilfield, we will continue to work hard to bring commercial production to the shareholders which would enable the Group to enjoy strong cashflow and capitalise on the strong demand for crude oil.

In addition to our existing oil and gas related operations, the Group will continue to explore more opportunities in the natural gas related business in the PRC as natural gas is a more environmental friendly energy source. Industrial users have been able to continue to produce their products while reducing the impact to the environment thus creating a win-win situation.



## 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 2008, 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	55.23

*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 66.51% of the issued share capital of China Vanguard Group Limited.

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

As at 30 September 2008, 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 2008, 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 2008, 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 ("Precise") (Note 1)	Beneficial owner, directly held	971,746,428	–	971,746,428	55.23
China Success Enterprises Limited ("China Success") (Notes 1 and 2)	Beneficial owner, held by a controlled corporation	971,746,428	–	971,746,428	55.23
China Vanguard Group Limited ("China Vanguard") (Notes 1 and 3)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	55.23
Best Frontier Investments Limited ("Best Frontier") (Notes 1 and 4)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	55.23
Cheung Kwai Lan (Notes 1 and 5)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	55.23
Chan Tung Mei (Notes 1 and 6)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	55.23
Evolution Master Fund, Ltd. SPC, Segregated Portfolio M ("Evolution M Fund") (Notes 7 and 8)	Beneficial owner	48,750,000	161,379,310	210,129,310	11.94
Evolution Capital Management, LLC (Notes 7, 8 and 9)	Investment manager	48,750,000	161,379,310	210,129,310	11.94

## 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	2.77
Evolution Capital Management, LLC ( <i>Notes 8 and 9</i> )	Investment manager	48,750,000	2.77

### 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 2008, were lent to Evolution M Fund.
- Precise is a wholly owned subsidiary of China Success. The shares referred to herein related to the same parcel of shares held by Precise.
- China Success is a wholly owned subsidiary of China Vanguard. The shares referred to herein related to the same parcel of shares held by Precise.
- As at 30 September 2008, Best Frontier is interested in approximately 66.51% 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. Madam Cheung Kwai Lan is the spouse of Mr. Chan Tung Mei. Accordingly, Madam Cheung Kwai Lan is deemed to be 100% interested in the shares of Best Frontier 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. Mr. Chan Tung Mei is the spouse of Madam Cheung Kwai Lan. Accordingly, Mr. Chan Tung Mei is deemed to be 100% interested in the shares of Best Frontier 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 reset conversion price of HK\$1.45 each, the convertible bonds will be converted into 161,379,310 shares of the Company. As at 30 September 2008, 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 2008, Evolution M Fund held 48,750,000 Borrowed 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 2008, so far is known to the Directors and 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, interest 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.

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

During the three months ended 30 September 2008, 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 five Independent Non-executive Directors, namely Mr. Tian He Nian, Mr. Zhao Zhi Ming, Mr. Zhang Xiu Fu, Mr. Zou Qi Jun 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 2008 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, 13 November 2008

*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, Mr. Zhang Xiu Fu, Mr. Zou Qi Jun and Mr. To Yan Ming, Edmond.*