



A P T U S

APTUS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock code: 8212

INTERIM REPORT 2006/2007



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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 of directors (the “**Directors**”) of Aptus Holdings Limited (the “**Company**”) herein presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 31 December 2006 together with the comparative unaudited figures for the corresponding periods in 2005, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 31 December 2006

	Notes	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
REVENUE	(2)	–	8,003	17,431	12,777
Cost of sales		–	(7,866)	(17,059)	(12,351)
Gross profit		–	137	372	426
Other revenue		322	59	334	63
Selling and distribution costs		–	(101)	(175)	(256)
Administrative expenses		(29,075)	(3,387)	(53,674)	(5,838)
Finance costs		(3,504)	(14)	(4,090)	(20)
LOSS BEFORE TAXATION	(4)	(32,257)	(3,306)	(57,233)	(5,625)
Income tax expenses	(5)	(3)	(19)	(3)	(19)
LOSS FOR THE PERIOD		(32,260)	(3,325)	(57,236)	(5,644)
NET LOSS ATTRIBUTABLE TO					
Equity holders of the Company		(32,166)	(3,288)	(57,128)	(5,605)
Minority interests		(94)	(37)	(108)	(39)
		(32,260)	(3,325)	(57,236)	(5,644)
LOSS PER SHARE	(7)				
Basic (HK cents)		(1.928)	(0.212)	(3.424)	(0.356)
Diluted (HK cents)		(1.812)	(0.193)	(3.216)	(0.322)

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31 December 2006*

		(Unaudited) 31 December 2006 HK\$'000	(Audited) 30 June 2006 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		145	173
Goodwill	(8)	31,761	31,761
Deposits for investment in associates		210,277	–
		242,183	31,934
CURRENT ASSETS			
Accounts receivables	(9)	8	–
Prepayments, deposits and other receivables		42,888	41,691
Bank balances and cash		1,341	3,360
		44,237	45,051
CURRENT LIABILITIES			
Accounts payables	(10)	–	266
Accrued liabilities and other payables		2,716	2,655
Taxation		15	14
Borrowings	(11)	25,753	8,053
		28,484	10,988
NET CURRENT ASSETS		15,753	34,063
TOTAL ASSETS LESS CURRENT LIABILITIES		257,936	65,997
NON-CURRENT LIABILITIES			
Borrowings	(11)	–	22,500
Convertible bonds	(12)	226,239	–
		226,239	22,500
		31,697	43,497
CAPITAL AND RESERVES			
Share capital	(13)	16,687	16,681
Reserves		1,039	12,743
Equity attributable to equity holders of the parent		17,726	29,424
Minority interests		13,971	14,073
		31,697	43,497

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	(Unaudited)	
	Six months ended	
	31 December	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(22,125)	(4,420)
Net cash outflow from investing activities	(210,277)	(5,041)
Net cash inflow from financing activities	229,248	30,371
Net increase/(decrease) in cash and cash equivalents	(3,154)	20,910
Cash and cash equivalents at beginning of the period	3,360	10,955
Effect of foreign exchange rate changes	1,135	6
Cash and cash equivalents at end of the period represented by bank balances and cash	1,341	31,871

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 December 2006*

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Attributable to equity holders of the Company								
	Equity								
	Share	Share	Share	Capital	convertible	Translation	Accumulated	Minority	Total
	capital	option	premium	reserve	bonds	reserve	losses	interests	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006	16,681	23,207	88,096	15,826	-	339	(114,725)	14,073	43,497
Shares issued on exercise of options	6	-	42	-	-	-	-	-	48
Recognition of equity-settled share based payments	-	33,560	-	-	-	-	-	-	33,560
Issue of convertible bonds	-	-	-	-	10,712	-	-	-	10,712
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	1,110	-	6	1,116
Net loss for the period	-	-	-	-	-	-	(57,128)	(108)	(57,236)
At 31 December 2006	16,687	56,767	88,138	15,826	10,712	1,449	(171,853)	13,971	31,697
At 1 July 2005	15,501	-	55,408	15,826	-	7	(73,888)	108	12,962
Shares issued on exercise of options	983	-	16,888	-	-	-	-	-	17,871
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	-	-	6	-	-	6
Net loss for the period	-	-	-	-	-	-	(5,605)	(39)	(5,644)
At 31 December 2005	16,484	-	72,296	15,826	-	13	(79,493)	69	25,195

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated interim financial statements 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 Limited (the “GEM Listing Rules”).

The unaudited consolidated interim financial statements have been prepared under historical cost convention and the accounting policies adopted in preparing these unaudited consolidated interim financial statements 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. SEGMENT INFORMATION

Business segments

The Group is engaged in the business of oil mining and distribution of edible oil. During the six months ended 31 December 2006 and 2005, the Group’s revenue was entirely contributed by its business of edible oil distribution.

Summary details of the business segments are as follows:

	Oil mining		Distribution of edible oil		Total	
	(Unaudited) Six months ended 31 December 2006 HK\$’000	(Unaudited) Six months ended 31 December 2005 HK\$’000	(Unaudited) Six months ended 31 December 2006 HK\$’000	(Unaudited) Six months ended 31 December 2005 HK\$’000	(Unaudited) Six months ended 31 December 2006 HK\$’000	(Unaudited) Six months ended 31 December 2005 HK\$’000
Segment revenue:						
Sales to external customers	–	–	17,431	12,777	17,431	12,777
Segment results	(396)	–	98	(83)	(298)	(83)
Unallocated income					309	51
Unallocated expenses					(53,154)	(5,573)
Finance costs					(4,090)	(20)
Loss before taxation					(57,233)	(5,625)
Income tax expenses					(3)	(19)
Loss for the period					(57,236)	(5,644)

	Oil mining		Distribution of edible oil		Total	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	31 December 2006 HK\$'000	30 June 2006 HK\$'000	31 December 2006 HK\$'000	30 June 2006 HK\$'000	31 December 2006 HK\$'000	30 June 2006 HK\$'000
Segment assets	42,681	41,913	1,148	1,298	43,829	43,211
Unallocated assets					242,591	33,774
Total assets					286,420	76,985
Segment liabilities	857	661	294	519	1,151	1,180
Unallocated liabilities					253,572	32,308
Total liabilities					254,723	33,488
					(Unaudited) Six months ended 31 December 2006 HK\$'000	(Unaudited) Six months ended 31 December 2005 HK\$'000
Other segment information:						
Depreciation						
– Unallocated					28	7
Other non-cash expenses					36,511	–

Geographical segments

Summary details of the geographical segments are as follows:

	Revenue		Segment results		Segment assets		Capital expenditure	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
	Six months ended 31 December 2006 HK\$'000	Six months ended 31 December 2005 HK\$'000	Six months ended 31 December 2006 HK\$'000	Six months ended 31 December 2005 HK\$'000	Six months ended 31 December 2006 HK\$'000	30 June 2006 HK\$'000	Six months ended 31 December 2006 HK\$'000	Six months ended 31 December 2005 HK\$'000
PRC	–	–	(396)	–	252,959	41,913	–	–
Hong Kong	–	–	–	–	32,339	33,773	–	18
South East Asia	16,761	12,777	72	426	1,122	1,299	–	–
Europe	670	–	3	–	–	–	–	–
	17,431	12,777	(321)	426	286,420	76,985	–	18
Unallocated income			309	63				
Unallocated expenses			(53,131)	(6,094)				
Finance costs			(4,090)	(20)				
Loss before taxation			(57,233)	(5,625)				
Income tax expenses			(3)	(19)				
Loss for the period			(57,236)	(5,644)				

4. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/(crediting):

	(Unaudited)	
	Six months ended	
	31 December	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	28	7
Interest income	(334)	(63)
Interest on borrowings	1,139	20
Imputed finance cost on convertible bonds	2,951	–

5. INCOME TAX EXPENSES

No Hong Kong Profits Tax has been provided for the six months ended 31 December 2006 (six months ended 31 December 2005: Nil) as the Group did not generate any assessable profits in Hong Kong during the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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.

6. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 31 December 2006 (six months ended 31 December 2005: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share is based on the unaudited net loss attributable to equity holders for the three months and six months ended 31 December 2006 of approximately HK\$32,166,000 and HK\$57,128,000 respectively (three months and six months ended 31 December 2005: approximately HK\$3,288,000 and HK\$5,605,000 respectively) and of the weighted average number of approximately 1,668,187,080 and 1,668,457,732 (three months and six months ended 31 December 2005: approximately 1,554,028,515 and 1,573,724,689 respectively) ordinary shares respectively in issue.

The calculation of the diluted loss per share is based on the unaudited net loss attributable to equity holders for the three months and six months ended 31 December 2006 of approximately HK\$32,166,000 and HK\$57,128,000 respectively (three months and six months ended 31 December 2005: approximately HK\$3,288,000 and HK\$5,605,000 respectively) and of the weighted average number of approximately 1,775,010,739 and 1,776,115,357 (three months and six months ended 31 December 2005: approximately 1,702,592,303 and 1,740,619,580 respectively) ordinary shares respectively in issue.

8. GOODWILL

	(Unaudited) 31 December 2006 <i>HK\$'000</i>	(Audited) 30 June 2006 <i>HK\$'000</i>
At beginning of the period/year	31,761	3,361
Arising on acquisition of subsidiaries	–	31,761
Impairment loss recognized for the period/year	–	(3,361)
At end of the period/year	31,761	31,761

9. ACCOUNTS RECEIVABLES

Accounts receivables, which generally have credit terms of not more than 90 days, are recognized and carried at original invoiced amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

	(Unaudited) 31 December 2006 <i>HK\$'000</i>	(Audited) 30 June 2006 <i>HK\$'000</i>
Trade receivables	8	–

An aged analysis of the Group's accounts receivables at the balance sheet dates, based on the date of goods delivered is as follows:

	(Unaudited) 31 December 2006 <i>HK\$'000</i>	(Audited) 30 June 2006 <i>HK\$'000</i>
Over 90 days	8	–

The fair value of the Group's accounts receivables as at 31 December 2006 approximates to the corresponding carrying amount.

10. ACCOUNTS PAYABLES

	(Unaudited) 31 December 2006 <i>HK\$'000</i>	(Audited) 30 June 2006 <i>HK\$'000</i>
Trade payables	–	266

An aged analysis of the Group's accounts payables at the balance sheet dates, based on the date of goods and services received, is as follows:

	(Unaudited) 31 December 2006 <i>HK\$'000</i>	(Audited) 30 June 2006 <i>HK\$'000</i>
Within 90 days	–	139
Over 90 days	–	127
	–	266

The fair value of the Group's accounts payables as at 30 June 2006 approximated to the corresponding carrying amount.

11. BORROWINGS

	(Unaudited) 31 December 2006 <i>HK\$'000</i>	(Audited) 30 June 2006 <i>HK\$'000</i>
Secured loan (<i>note a</i>)	16,500	22,500
Unsecured loan (<i>note b</i>)	9,253	8,053
	25,753	30,553

- (a) The loan is interest-bearing at 2% over prime rate, secured by corporate guarantee from China Vanguard Group Limited, the ultimate holding company of the Company, and repayable within the year.
- (b) The loan is unsecured, bears interest at prime rate and has no fixed repayment terms.

Borrowings are repayable as follows:

	(Unaudited) 31 December 2006 HK\$'000	(Audited) 30 June 2006 HK\$'000
On demand or within one year	25,753	8,053
In more than one year but not more than two years	–	22,500
	25,753	30,553
Less: Amount shown under non-current liabilities	–	(22,500)
Amount shown under current liabilities	25,753	8,053

12. CONVERTIBLE BONDS

On 22 November 2006, the Company issued convertible bonds due on 21 November 2011 with a principal amount of HK\$234,000,000, which is interest-bearing at 5% per annum from and including 21 May, 2008. The convertible bonds were issued for the purpose of the acquisition of a 48.33% equity interest in Changde Huayou Gas Co. Ltd. ("Changde Joint Venture"), 33% equity interest in the Hunan Huayou Natural Gas Transportation & Distribution Company Limited ("Hunan Joint Venture") and general working purposes.

On or at any time after 21 November 2008 and prior to 11 November 2011, the Company may redeem the convertible bonds in whole but not in part, together with the interest accrued to the redemption date.

The holder(s) of the convertible bonds may exercise the right at any time from 1 January 2007 up to close of business on 11 November 2011 or, if the convertible bonds shall have been called for redemption before 21 November 2011, up to the close of business on a date no later than 7 business days prior to the date fixed for redemption thereof. The initial conversion price will be HK\$2.4 per share, subject to adjustment upon occurrence of certain prescribed dilution events.

On each of 21 November 2008, 21 November 2009 and 21 November 2010 (each a "Put Option Date"), each bondholder will have the right to require the Company to redeem in whole or in part of the convertible bonds of such bond holder on the Put Option Date together with interest accrued to the Put Option Date.

Unless previously redeemed, converted or purchased and cancelled, the convertible bonds will be redeemed at 150.15% of their principal amount on 21 November 2011.

Further details of the convertible bonds can also be found in the joint announcement made by the Company and China Vanguard Group Limited dated 9 November 2006.

The fair value of the liability component of the convertible bonds is estimated by computing the present value of all future cash flows discounted using prevailing market rate of interest for similar instrument with a similar credit rating and with consideration of the convertible bonds. The residual amount, representing the value of the equity component, is credited to a Company's reserve account.

The convertible bonds have been split between the liability and equity components as follows:

	(Unaudited) 31 December 2006 HK\$'000	(Audited) 30 June 2006 HK\$'000
Nominal value of convertible bonds issued	234,000	–
Equity component	(10,712)	–
Liability component at the issuance date	223,288	–
Imputed finance cost	2,951	–
Non-current liability component as at the balance sheet date	226,239	–

13. SHARE CAPITAL

Shares

	(Unaudited) 31 December 2006 HK\$'000	(Audited) 30 June 2006 HK\$'000
<i>Authorised:</i>		
20,000,000,000 (30 June 2006: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
<i>Issued and fully paid:</i>		
1,668,741,428 (30 June 2006: 1,668,141,428) ordinary shares of HK\$0.01 each	16,687	16,681

14. OPERATING LEASE ARRANGEMENTS

As at 31 December 2006, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	(Unaudited) 31 December 2006 HK\$'000	(Audited) 30 June 2006 HK\$'000
Within one year	151	664

Operating lease payments represent rental payable by the Group for certain of its office properties.

15. CAPITAL COMMITMENTS

	(Unaudited)	(Audited)
	31 December	30 June
	2006	2006
	HK\$'000	HK\$'000
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	38,901	37,768

16. VERY SUBSTANTIAL ACQUISITION

The transactions for acquisition of 48.33% equity interest in Changde Joint Venture of 33% equity interest in Hunan Joint Venture have been approved by the Company's shareholders in the extraordinary general meeting held on 7 November 2006.

Subsequent to the balance sheet date, the Group has obtained certificates of approval for the Company's investment in Changde Joint Venture and Hunan Joint Venture and updated business licenses of these two Joint Ventures.

17. PLEDGED ASSETS

As at 31 December 2006 and up to the date of this interim report issued, the 100% of the issued share capital of Good United Management Limited ("GUM"), a wholly-owned subsidiary of the Company, was pledged in favour of the holder(s) of the convertible bonds issued by the Company on 22 November 2006. GUM held 70% equity interests in CNPC Huayou Cu Energy Investment Co., Limited, which owned profit sharing rights on Xin Jiang Oilfield.

MANAGEMENT DISCUSSION AND ANALYSIS

During the six months ended 31 December 2006, the Group principally engaged in the trading of edible oil and oil mining.

FINANCIAL REVIEW

Financial performance

For the six months ended 31 December 2006, the Group's unaudited consolidated turnover and net loss attributable to shareholders are approximately HK\$17.43 million (2005: approximately HK\$12.78 million) and approximately HK\$57.13 million (2005: approximately HK\$5.61 million) respectively. There is an approximately 36.38% increase in turnover with an approximately 10 times increase in net loss attributable to shareholders over the corresponding period of last year. Gross profit ratio was approximately 2.13% for the six months period under review (2005: 3.3%).

In order to stimulate the Group's sales, the sales prices of the Group's edible oil products decreased in the first quarter of fiscal 2007. As a result, the Group's revenue increased sharply as compared to the amount generated in the corresponding period of last year. However, the market competition changed to be very keen in the second quarter. In order not to trade the edible oil products below the cost, no sales were made in this quarter. Due to the sharp increase in sales in the first quarter as mentioned above, the Group's overall sales during the first half of fiscal 2007 were still higher than those in the corresponding period of last year.

The increase in net loss can be explained as follows: (i) share option expenses of approximately HK\$33.56 million due to change of accounting policies; (ii) professional fee for issue of convertible bonds of HK\$12 million; and (iii) imputed finance cost for issuance of convertible bonds of HK\$2.95 million.

Financial resources and liquidity

As at 31 December 2006, the Group held assets of approximately HK\$286.42 million (30 June 2006: HK\$76.99 million), including cash and bank balance of approximately HK\$1.34 million (30 June 2006: HK\$3.36 million).

As at 31 December 2006, the Group had outstanding borrowings of HK\$25.75 million (30 June 2006: HK\$30.55 million) and convertible bonds of HK\$226.24 million (30 June 2006: nil). The gearing ratio, defined as the ratio between total borrowings, including convertible bonds, and the Group's capital and reserves, was 795% (30 June 2006: 70.24%).

Capital structure

During the six months ended 31 December 2006, the Group issued convertible bonds in the principal amount of HK\$234 million. In addition, the Company issued 600,000 shares to eligible participants due to shares options exercised. As at 31 December 2006, the number of the Company's issued shares was enlarged to 1,668,741,428 shares.

Significant investments and acquisitions

The Group's acquisition of 48.33% equity interests in Changde Joint Venture and 33% equity interests in Hunan Joint Venture were approved by the Company's shareholders in the extraordinary general meeting held on 7 November 2006. Subsequently, the Group has obtained certificates of approval for the Company's investment in these two Joint Ventures and the updated business licenses of these two Joint Ventures.

Pledged assets

As at 31 December 2006 and up to the date of this interim report issued, the 100% of the issued share capital of GUM, a wholly-owned subsidiary of the Company, was pledged in favour of the holder(s) of the convertible bonds issued by the Company on 22 November 2006. GUM held 70% equity interests in CNPC Huayou Cu Energy Investment Co., Limited, which owned profit sharing rights on Xin Jiang Oilfield.

Exposure to fluctuations in exchange rates and any related hedges

The business activities of the Group are not exposed to material fluctuations in exchange rate except for the Group's operations through its subsidiaries in the People's Republic of China and Singapore, which are subject to fluctuation in exchange rates between Renminbi, Singaporean dollars and Hong Kong dollars.

Contingent liabilities

The Group did not have any contingent liabilities as at 31 December 2006 (30 June 2005: nil).

Employees and remuneration policies

The Group employed 26 full-time employees as at 31 December 2006. 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

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 in the overall first half of fiscal 2007 was up significantly but edible oil gross margin decreased, and no revenue was generated by the Group in the second quarter of fiscal 2007 (as outlined in Financial Review above) 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. As at the time of writing this interim report, 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 Joint Venture (a city level natural gas pipeline project) and 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. Subsequent to the balance sheet date, the Group has obtained certificates of approval for the Company's investment in Changde Joint Venture and Hunan Joint Venture and updated business licenses of these two Joint Ventures.

FUTURE OUTLOOK AND PROSPECTS

The short term objective of the Group is to bring on production at the Xin Jiang Oilfield soon.

Production at the Xin Jiang Oilfield is planned to commence in this fiscal 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 and Hunan Joint Venture have already been commercially operative.

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 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 31 December 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	Personal interest	Number of ordinary shares held			Total interest	Percentage of the Company's issued share capital
		Corporate interest	Under share option scheme			
Madam Cheung Kwai Lan	-	971,746,428	-	971,746,428	58.23	
		(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 31 December 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 31 December 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 31 December 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	971,746,428	–	971,746,428	58.23
China Success Enterprises Limited (Note 1)	Held by controlled corporations	971,746,428	–	971,746,428	58.23
China Vanguard (Note 2)	Held by controlled corporations	971,746,428	–	971,746,428	58.23
Best Frontier Investments Limited (Note 3)	Held by controlled corporations	971,746,428	–	971,746,428	58.23
Cheung Kwai Lan (Note 4)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	58.23
Chan Tung Mei (Note 5)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	58.23

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 31 December 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 31 December 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 31 December 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. 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 regarding securities transactions by directors.

CORPORATE GOVERNANCE PRACTICE

The Company has committed itself to a high standard of corporate governance. The Directors strongly believe that reasonable and sound corporate governance practices are vital to the Group's rapid growth and to safeguarding and enhancing shareholders' interests.

The provision A.4.1 of the Code on Corporate Governance Practices (the "Code on CGP") as set out in Appendix 15 of the GEM Listing Rules provides that Non-executive Directors should be appointed for specific terms, subject to re-election. The Company has deviated from this provision in that all Independent Non-executive Directors are not appointed for specific terms. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary term limits on Directors' service are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of Independent Non-executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices.

Except for the deviation from the provision A.4.1 of the Code on CGP, the Company has complied all remaining provisions of the Code on CGP during the six months ended 31 December 2006.

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 interim financial statements for the six months ended 31 December 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 six months ended 31 December 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 February 2007

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.