

Interim Report 2007/2008

Stock Code : 8212



APTUS

問 博 控 股 有 限 公 司

APTUS HOLDINGS LIMITED

(INCORPORATED IN CAYMAN ISLANDS WITH LIMITED LIABILITY)

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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 GEM of the Stock Exchange 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 as the “**Group**”) for the three months and six months ended 31 December 2007, together with the comparative unaudited figures for the corresponding period in 2006, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three months and six months ended 31 December 2007

	<i>Notes</i>	(Unaudited) Three months ended 31 December		(Unaudited) Six months ended 31 December	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
REVENUE	<i>2</i>	25,283	–	56,200	17,431
Cost of sales		(20,600)	–	(46,726)	(17,059)
Gross profit		4,683	–	9,474	372
Other revenue	<i>2</i>	736	322	806	334
Selling and distribution costs		(4,372)	–	(7,333)	(175)
Administrative expenses		(3,673)	(29,075)	(16,413)	(53,674)
Finance costs		(9,863)	(3,504)	(17,654)	(4,090)
Loss on deemed disposal of a subsidiary of a jointly controlled entity	<i>4</i>	–	–	(7)	–
Share of profit of an associate	<i>4</i>	6	–	17	–
LOSS BEFORE TAXATION	<i>5</i>	(12,483)	(32,257)	(31,110)	(57,233)
Tax	<i>6</i>	816	(3)	641	(3)
LOSS FOR THE PERIOD		(11,667)	(32,260)	(30,469)	(57,236)
NET LOSS ATTRIBUTABLE TO:					
Equity holders of the Company		(11,602)	(32,166)	(30,314)	(57,128)
Minority interests		(65)	(94)	(155)	(108)
		(11,667)	(32,260)	(30,469)	(57,236)
LOSS PER SHARE	<i>7</i>				
Basic (<i>HK Cents</i>)		(0.683)	(1.928)	(1.785)	(3.424)

CONDENSED CONSOLIDATED BALANCE SHEET*As at 31 December 2007*

		(Unaudited) 31 December 2007 HK\$'000	(Audited) 30 June 2007 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Interest in an associate		1,843	–
Property, plant and equipment		199,997	183,140
Goodwill		81,215	81,215
Construction in progress		2,664	14,004
Prepaid lease payments		24,757	12,496
Deferred tax asset		1,337	–
		311,813	290,855
CURRENT ASSETS			
Inventories		3,738	2,133
Accounts receivables	<i>9</i>	1,495	1,509
Prepaid lease payments		395	380
Prepayment, deposits and other receivables		66,762	35,671
Tax recoverable		796	–
Bank balances and cash		7,126	49,110
		80,312	88,803
CURRENT LIABILITIES			
Accounts payables	<i>10</i>	8,416	10,305
Accrued liabilities and other payables		15,552	9,487
Tax payable		37	688
Bank and other borrowings	<i>11</i>	18,978	2,125
		42,983	22,605
NET CURRENT ASSETS		37,329	66,198
TOTAL ASSETS LESS CURRENT LIABILITIES		349,142	357,053
CAPITAL AND RESERVES			
Share capital	<i>12</i>	16,988	16,979
Reserves		(39,676)	(24,487)
Equity attributable to equity holders of the Company		(22,688)	(7,508)
Minority interests		14,850	15,312
		(7,838)	7,804
NON-CURRENT LIABILITIES			
Bank and other borrowings	<i>11</i>	99,636	106,105
Convertible bonds	<i>13</i>	257,344	243,144
		356,980	349,249
		349,142	357,053

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2007

	(Unaudited)	
	Six months ended	
	31 December	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash outflow from operating activities	(41,821)	(22,125)
Net cash outflow from investing activities	(15,903)	(210,277)
Net cash inflow from financing activities	7,979	229,248
Net decrease in cash and cash equivalents	(49,745)	(3,154)
Cash and cash equivalents at beginning of period	49,110	3,360
Effect of foreign exchange rates changes	7,761	1,135
Cash and cash equivalents at end of period	7,126	1,341

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 December 2007*

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Attributable to equity holders of the Company								
	Share capital	Share option reserve	Convertible bonds reserve	Translation reserve	Share premium account	Capital reserve	Accumulated losses	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	16,979	78,120	10,712	5,384	90,960	15,826	(225,489)	15,312	7,804
Shares issued on exercise of options	9	-	-	-	96	-	-	-	105
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	7,355	-	-	-	442	7,797
Deemed disposal of a subsidiary of a jointly controlled entity	-	-	-	-	-	-	-	(749)	(749)
Recognition of equity-settled share based payments	-	7,674	-	-	-	-	-	-	7,674
Net loss for the period	-	-	-	-	-	-	(30,314)	(155)	(30,469)
At 31 December 2007	16,988	85,794	10,712	12,739	91,056	15,826	(255,803)	14,850	(7,838)
At 1 July 2006	16,681	23,207	-	339	88,096	15,826	(114,725)	14,073	43,497
Shares issued on exercise of options	6	-	-	-	42	-	-	-	48
Exchange differences arising from translation of financial statements of overseas operations	-	-	-	1,110	-	-	-	6	1,116
Issue of convertible bonds	-	-	10,712	-	-	-	-	-	10,712
Recognition of equity-settled share based payments	-	33,560	-	-	-	-	-	-	33,560
Net loss for the period	-	-	-	-	-	-	(57,128)	(108)	(57,236)
At 31 December 2006	16,687	56,767	10,712	1,449	88,138	15,826	(171,853)	13,971	31,697

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 Enterprise Market of the Stock Exchange of Hong Kong (the "GEM Listing Rules").

The unaudited consolidated interim financial statements 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 interim financial statements 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 been 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. SEGMENT INFORMATION

Business segments

The Group is engaged in the businesses of oil mining, distribution of edible oil, sales of gas and gas appliances, provision of gas transportation services and installation services.

Summary details of the business segments are as follows:

	(Unaudited)							
	Six months ended 31 December							
	Gas related		Oil mining		Distribution of edible oil		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Segment revenue:								
Sales to external customers	31,522	-	-	-	24,678	17,431	56,200	17,431
Segment results	1,843	-	(513)	(396)	(1)	98	1,329	(298)
Unallocated income							9	309
Unallocated expenses							(14,794)	(53,154)
Finance costs							(17,654)	(4,090)
Loss before taxation							(31,110)	(57,233)
Tax							641	(3)
Loss for the period							(30,469)	(57,236)

	Gas related		Oil mining		Distribution of edible oil		Total	
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June
	2007	2007	2007	2007	2007	2007	2007	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	278,144	265,122	45,733	30,419	1,553	1,442	325,430	296,983
Unallocated assets							66,695	82,675
Total assets							392,125	379,658
Segment liabilities	111,985	104,709	1,532	1,233	586	531	114,103	106,473
Unallocated liabilities							285,860	265,381
Total liabilities							399,963	371,854

(Unaudited)
Six months ended 31 December

	Gas related		Oil mining		Distribution of edible oil		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:								
Depreciation of property, plant and equipment	9,060	-	16	-	-	-	9,076	-
Unallocated							7	28
							9,083	28
Amortization of prepaid lease payments	132	-	-	-	-	-	132	-
Capital expenditure	15,425	-	-	-	-	-	15,425	-
Other non-cash expenses - unallocated							-	36,511

Geographical segments

Summary details of the geographical segments are as follows:

	Revenue (Unaudited)		Segment results (Unaudited)		Segment assets (Unaudited)		Capital expenditure (Unaudited)	
	Six months ended	Six months ended	Six months ended	Six months ended	(Unaudited)	(Audited)	Six months ended	Six months ended
	31 December 2007	31 December 2006	31 December 2007	31 December 2006	31 December 2007	30 June 2007	31 December 2007	31 December 2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
PRC	31,522	-	1,330	(396)	323,877	295,541	15,425	-
Hong Kong	-	-	-	-	66,695	82,675	-	-
South East Asia	24,678	16,761	(1)	72	1,553	1,442	-	-
Europe	-	670	-	3	-	-	-	-
	56,200	17,431	1,329	(321)	392,125	379,658	15,425	-
Unallocated income			9	309				
Unallocated expenses			(14,794)	(53,131)				
Finance costs			(17,654)	(4,090)				
Loss before taxation			(31,110)	(57,233)				
Tax			641	(3)				
Loss for the period			(30,469)	(57,236)				

4. DEEMED DISPOSAL OF A SUBSIDIARY OF A JOINTLY CONTROLLED ENTITY

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.

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived after charging:

	(Unaudited) Six months ended 31 December	
	2007	2006
	HK\$'000	HK\$'000
Cost of inventories sold	46,726	17,059
Depreciation of property, plant and equipment	9,083	28

Included in the depreciation of approximately HK\$9,083,000 was an amount of approximately HK\$5,639,000 capitalized in inventories and transferred to cost of inventories sold during the period. The amount of approximately HK\$5,639,000 was also included in cost of inventories sold of approximately HK\$46,726,000. No depreciation was included in cost of inventories sold during the six months ended 31 December 2006.

6. TAX

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits arising in Hong Kong for the three months and six months ended 31 December 2007 (three months and six months ended 31 December 2006: NIL). Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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 ended and six months ended 31 December 2007 of approximately HK\$11,602,000 and HK\$30,314,000 respectively (three months and six months ended 31 December 2006: approximately HK\$32,166,000 and HK\$57,128,000 respectively) and the weighted average number of approximately 1,698,414,580 and 1,698,148,004 ordinary shares issued during the three months and six months ended 31 December 2007 (three months and six months ended 31 December 2006: 1,668,187,080 and 1,668,457,732 shares respectively).

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

8. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 31 December 2007 (six months ended 31 December 2006: NIL).

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 2007 <i>HK\$'000</i>	(Audited) 30 June 2007 <i>HK\$'000</i>
Trade receivables	1,701	1,509
Provision for doubtful receivables	(206)	–
Net amount	1,495	1,509

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 2007 <i>HK\$'000</i>	(Audited) 30 June 2007 <i>HK\$'000</i>
Current to 90 days	451	226
90 - 180 days	811	1,045
Over 180 days	439	238
	1,701	1,509

The fair value of the Group's accounts receivables as at 31 December 2007 approximates to the corresponding carrying amount.

10. ACCOUNTS PAYABLES

	(Unaudited) 31 December 2007 <i>HK\$'000</i>	(Audited) 30 June 2007 <i>HK\$'000</i>
Trade payables	8,416	10,305

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 2007 <i>HK\$'000</i>	(Audited) 30 June 2007 <i>HK\$'000</i>
Within 90 days	4,504	1,662
Over 90 days	3,912	8,643
	8,416	10,305

The fair value of the Group's accounts payables as at 31 December 2007 approximates to the corresponding carrying amount.

11. BANK AND OTHER BORROWINGS

	(Unaudited) 31 December 2007 HK\$'000	(Audited) 30 June 2007 HK\$'000
Bank loans	74,086	71,179
Other borrowings	44,528	37,051
	118,614	108,230

	(Unaudited) 31 December 2007 HK\$'000	(Audited) 30 June 2007 HK\$'000
Secured loans <i>(note a)</i>	90,586	88,426
Unsecured loans <i>(note b)</i>	28,028	19,804
	118,614	108,230

- (a) Borrowing of approximately HK\$16,500,000 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.

Bank loan of approximately HK\$17,639,000 is unsecured, interest-bearing at 4.8% per annum and has fixed repayment terms.

Bank loan of approximately HK\$56,447,000 is secured by gas network of a jointly controlled entity, interest-bearing at 6.48-7.05% per annum and has fixed repayment terms.

- (b) Borrowing of approximately HK\$9,345,000 is unsecured, interest-bearing at prime rate and not repayable within the year.

Borrowing of approximately HK\$18,683,000 is unsecured, interest-bearing at 2.82% per annum and has fixed repayment terms.

Borrowings are repayable as follows:

	(Unaudited) 31 December 2007 HK\$'000	(Audited) 30 June 2007 HK\$'000
On demand or within one year	18,978	2,125
In more than one year but not more than two years	–	28,031
In more than two years but not more than five years	56,447	63,307
Over five years	43,189	14,767
	118,614	108,320
Less: Amount shown under non-current liabilities	(99,636)	(106,105)
Amount shown under current liabilities	18,978	2,125

12. SHARE CAPITAL

Shares

	(Unaudited) 31 December 2007 HK\$'000	(Audited) 30 June 2007 HK\$'000
<i>Authorized:</i>		
20,000,000,000 (30 June 2007: 20,000,000,000) ordinary shares of HK\$0.01 each	200,000	200,000
<i>Issued and fully paid:</i>		
1,698,831,428 (30 June 2007: 1,697,881,428) ordinary shares of HK\$0.01 each	16,988	16,979

13. 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. 33% equity interest in the Hunan Huayou Natural Gas Transportation & Distribution Company Limited and general working capital purposes.

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.

The fair value of the liability component of the convertible bonds is estimated by computing the present value of all future cash flow 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 the Company's reserve account.

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

	(Unaudited) 31 December 2007 HK\$'000	(Audited) 30 June 2007 <i>HK\$'000</i>
Nominal value of convertible bonds issued	234,000	234,000
Equity component	(10,712)	(10,712)
Liability component at the issuance date	223,288	223,288
Imputed finance cost	34,056	19,856
Non-current liability component as at the balance sheet date	257,344	243,144

14. OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 31 December 2007, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancelable operating leases which fall due as follows:

	(Unaudited) 31 December 2007 HK\$'000	(Audited) 30 June 2007 <i>HK\$'000</i>
Within one year	35	59

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

The Group as lessor

As at 31 December 2007, the Group had contracted with tenants for the following minimum lease payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	(Unaudited) 31 December 2007 <i>HK\$'000</i>	(Audited) 30 June 2007 <i>HK\$'000</i>
Within one year	237	129
In the second to fifth years inclusive	–	246
	237	375

Leases are negotiated for an average term of 3 years.

15. CAPITAL COMMITMENTS

	(Unaudited) 31 December 2007 <i>HK\$'000</i>	(Audited) 30 June 2007 <i>HK\$'000</i>
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	41,588	39,956

16. PLEDGED ASSETS

As at 31 December 2007 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.

In addition, borrowings of approximately HK\$56,447,000 (30 June 2007: approximately HK\$54,232,000) had been secured by gas network of a jointly controlled entity, Hunan Huayou Natural Gas Transportation & Distribution Company Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is engaged in the trading of edible oil, oilfield mining and operation of natural gas businesses 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 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

Financial performance

For the six months ended 31 December 2007, the Group recorded an unaudited consolidated turnover of approximately HK\$56.2 million, which represented an increase of approximately 223% as compared to approximately HK\$17.4 million for the six months ended 31 December 2006. Of the HK\$38.8 million in additional turnover, the Group’s sales of edible oil products increased by approximately HK\$7.3 million as compared to the previous corresponding period. The balance of the increase of HK\$31.5 million was due to the contributions from our attributable share of turnover from the Hunan Joint Ventures for the first two quarters of 2007/08.

The gross profit for the six months ended 31 December 2007 increased by approximately 23 times to approximately HK\$9.5 million (for the six months ended 31 December 2006: HK\$0.4 million). HK\$9.2 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 16.9% for the six months ended 31 December 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 six months ended 31 December 2007 was approximately 1.2% against 2.1% previously. The lower gross margins here were due to the low-price strategy adopted by the Group in reaction to tougher market conditions. This, however, was more than offset by the 29.2% 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 46.7% to HK\$30.5 million from HK\$57.2 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\$25.9 million from approximately HK\$33.6 million recorded for the six months ended 31 December 2006 to approximately HK\$7.7 million for the six months ended 31 December 2007; (ii) increase in imputed finance cost for the convertible bonds by approximately HK\$11.2 million to approximately HK\$14.2 million during the period under review (2006: approximately HK\$3.0 million); and (iii) decrease in legal and professional fee from HK\$13 million (mainly for issue of convertible bonds) in six months ended 31 December 2006 to approximately HK\$0.1 million in the period under review.

Financial resources and liquidity

As at 31 December 2007, the Group held assets of approximately HK\$392.1 million (30 June 2007: approximately HK\$379.7 million), including cash and bank balance of approximately HK\$7.1 million (30 June 2007: approximately HK\$49.1 million).

As at 31 December 2007, the Group had outstanding borrowings of approximately HK\$118.6 million (30 June 2007: HK\$108.2 million) and convertible bonds of approximately HK\$257.3 million (30 June 2007: HK\$243.1 million).

The Directors consider that it is not meaningful to publish a gearing ratio for the Group until such time as the Group is in a positive shareholders' equity position.

Capital structure

During the six months ended 31 December 2007, the Company issued 950,000 shares to eligible participants due to shares options exercised. As at 31 December 2007, the number of the Company's issued shares was enlarged to 1,698,831,428 shares.

Significant investments and acquisitions

The Group did not make any material acquisitions or significant investments during the six months ended 31 December 2007.

Charges on the Group's assets

As at 31 December 2007 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 2007 (30 June 2007: NIL).

Employees and remuneration policies

The Group employed 26 full-time employees as at 31 December 2007. 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 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 as we are still in the initial development stage of the project.

With regards to the edible oil operations, turnover for the first two quarters of 2007/2008 is approximately HK\$24.7 million (2006: approximately HK\$17.4 million) and gross profit is approximately HK\$0.3 million (2006: approximately HK\$0.4 million). Turnover was up but the gross profit decreased due to continuing difficult business conditions.

On the natural gas side, our 48.33% owned Changde Huayou Gas Co., Ltd ("Changde Joint Venture") (a city level natural gas pipeline project) and 33.0% owned Hunan Huayou Natural Gas Transportation and Distribution Company Limited ("Hunan Joint Venture") (a provincial level natural gas pipeline project) contributed a combined turnover of approximately HK\$31.5 million to the Group for the first two quarters of 2007/2008 (2006: NIL). Gross profit for the first two quarters of 2007/2008 is approximately HK\$9.2 million (2006: NIL).

The Changde Joint Venture has completed about 636 km of city-level pipelines connecting approximately 125 commercial users, 7 industrial users, 75 public welfare establishments and approximately 45,000 residential users to its network.

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.

FUTURE OUTLOOK AND PROSPECTS

On the natural gas side, the short term objective of the Group is to continue the expansion of the pipeline network of the Changde Joint Venture (city level natural gas pipeline project) with a target to extend its reach to about 4,000 more commercial, industrial, welfare establishments and residential users in the city before the end of this fiscal year to take advantages of the fast growing demand in the city of Changde.

As for the Hunan Joint Venture (provincial level natural gas pipeline project), it is the Group's aim to further expand from the existing pipelines to branch out to at least one more city-level gas distribution station before the end of the fiscal year to increase the sale of natural gas.

In terms of the Xin Jiang Oilfield project, currently, we are still in the initial development stage of this project conducting drillings of wells and testing our findings. It is the Group's target to bring on commercial operations by the end of the fiscal year.

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 natural gas section 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 31 December 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	57.20

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 31 December 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 31 December 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 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 31 December 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 Shareholders	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	57.20
China Success Enterprises Limited (“China Success”) (Notes 1 and 2)	Beneficial owner, held by a controlled corporation	971,746,428	–	971,746,428	57.20
China Vanguard Group Limited (“China Vanguard”) (Notes 1 and 3)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.20
Best Frontier Investments Limited (“Best Frontier”) (Notes 1 and 4)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.20
Cheung Kwai Lan (Notes 1 and 5)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.20
Chan Tung Mei (Notes 1 and 6)	Beneficial owner, held by controlled corporations	971,746,428	–	971,746,428	57.20

Name of Shareholders	Capacity	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Evolution Master Fund, Ltd. SPC, Segregated Portfolio M ("Evolution M Fund") <i>(Notes 7 and 8)</i>	Beneficial owner	54,195,000	97,500,000	151,695,000	8.93
Evolution Capital Management LLC <i>(Notes 7, 8 and 9)</i>	Investment manager	54,195,000	97,500,000	151,695,000	8.93

Short Positions in Underlying Share 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 31 December 2007, 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 31 December 2007, Best Frontier 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. 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.

6. 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 interested in the shares under SFO. The shares referred to herein relate to the same parcel of shares held by Precise.
7. 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 31 December 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 31 December 2007, Evolution M Fund held 5,445,000 ordinary shares of the Company and 48,750,000 Borrowed Shares of the Company, totaling 54,195,000 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 31 December 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 six months ended 31 December 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM" Listing Rules) as the code for dealing in securities of the Company by the Directors. 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 the directors throughout the six months ended 31 December 2007.

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.

CORPORATE GOVERNANCE CODE COMPLIANCE

Except for the deviation from the provision A.4.1 of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules, the Company has complied all remaining provisions of the Code during the six months ended 31 December 2007.

The Code provision A.4.1 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.

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 four Independent Non-executive Directors, namely Mr. Tian He Nian, Mr. Zhao Zhi Ming, Mr. Zhang Xiu Fu 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 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, 11 February 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 and Mr. To Yan Ming, Edmond.