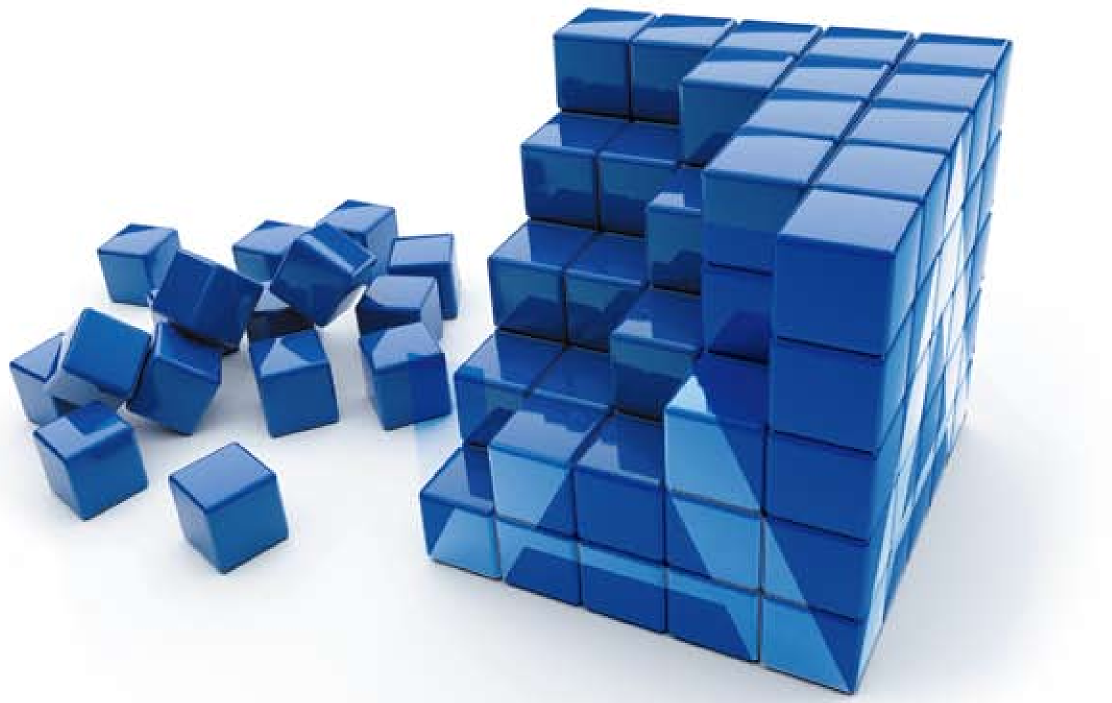

ANNUAL REPORT 2009

問博控股有限公司
APTUS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock code: 8212

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.

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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.

C O N T E N T S

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan *(Chairman)*
Mr. CHAN Ting
Mr. FUNG King Him Daniel

Independent Non-executive Directors

Mr. TIAN He Nian
Mr. ZHANG Xiu Fu
Mr. ZOU Qi Jun *(appointed on 9 September 2008)*
Mr. TO Yan Ming Edmond
Mr. ZHAO Zhi Ming *(resigned on 30 June 2009)*

AUDIT COMMITTEE

Mr. TO Yan Ming Edmond *(Chairman)*
Mr. TIAN He Nian
Mr. ZHANG Xiu Fu
Mr. ZOU Qi Jun *(appointed on 9 September 2008)*
Mr. ZHAO Zhi Ming *(resigned on 30 June 2009)*

REMUNERATION COMMITTEE

Mr. CHAN Ting *(Chairman)*
Mr. ZHANG Xiu Fu
Mr. ZOU Qi Jun *(appointed on 9 September 2008)*
Mr. TO Yan Ming Edmond
Mr. ZHAO Zhi Ming *(resigned on 30 June 2009)*

AUTHORISED REPRESENTATIVES

Mr. CHAN Ting
Mr. FUNG King Him Daniel

COMPLIANCE OFFICER

Mr. FUNG King Him Daniel

COMPANY SECRETARY

Mr. CHAN Ka Yin *FCCA CPA*

COMPANY WEBSITE

www.aptus.com.hk

STOCK CODE

08212

PRINCIPAL BANKER

Nanyang Commercial Bank, Limited
151 Des Voeux Road Central
Hong Kong

AUDITORS

W.H. Tang & Partners CPA Limited
Level 7, Parkview Centre
7 Lau Li Street
Causeway Bay
Hong Kong

SOLICITORS

Minter Ellison
15th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive, P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

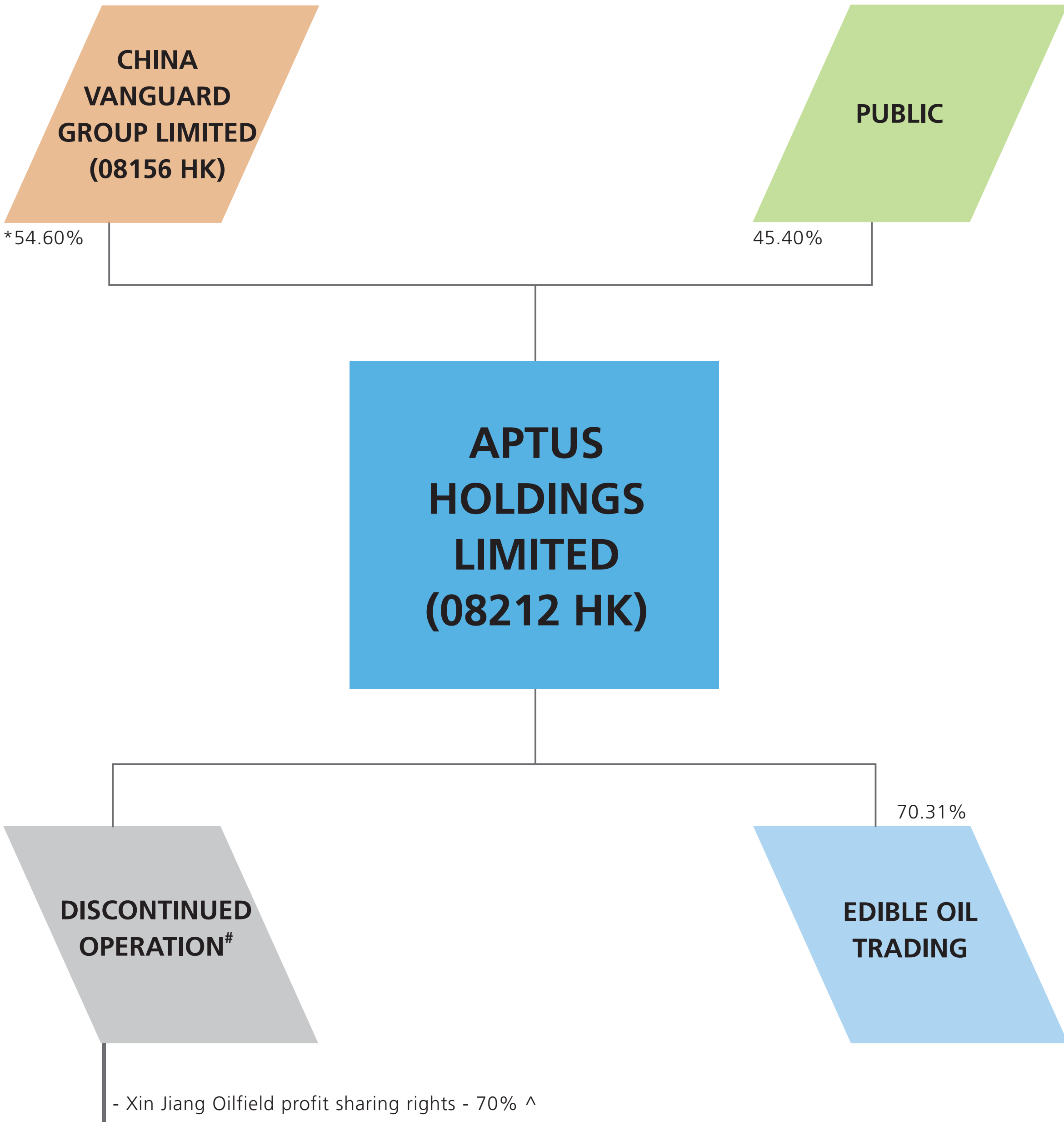
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2201, 22nd Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26/F Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

CORPORATE STRUCTURE



* Shareholding as at 28 September 2009

\# Discontinued operation as at 28 September 2009

^ 70% equity interest in CNPC Huayou Cu Energy Investment Co. Ltd., a 56% effective profit sharing interest.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Aptus Holdings Limited (the "Company" or "Aptus"), I herein present the results of the Company and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2009 (the "Year 2009").

OVERVIEW OF THE YEAR

"Aptus is restructuring its operations to substantially improve its financial position. The Group is committed to increasing value for its shareholders..."

In late December 2008, Aptus concluded its restructuring of the convertible bonds with the bondholder Evolution Master Fund Ltd. SPC, Segregated Portfolio M ("Evolution"). Whilst as the restructuring saw a reduction of the conversion price to reflect current market conditions, new terms also gave Aptus the ability to call for redemption at anytime resulting in additional flexibility under the revised security arrangements in terms of raising funding to reduce outstanding debts. In the extraordinary general meeting held on 16 February 2009, the shareholders of Aptus granted the approval for these amendments.

On 24 April 2009, Aptus entered into agreements relating to the disposals of the equity interests in the Changde Huayou Gas Co., Ltd. ("Changde Joint Venture") and the Hunan Huayou Natural Gas Transportation and Distribution Company Limited ("Hunan Joint Venture") (together the "Natural Gas Joint Ventures") for a total considerations of approximately RMB355 million (approximately HK$403 million). The sales proceeds from the disposals of the Natural Gas Joint Ventures represented a return of approximately 92.3% in Hong Kong dollar terms in less than 3 years of its acquisition. Meanwhile, delays in development of the Xin Jiang Oilfield have heightened the risk of not being able to achieve commercial production in a cost effective manner and that a reasonable return may not be achievable. Consequently, CNPC Huayou Cu Energy Investment Co., Ltd. ("CNPC Energy"), a non-wholly owned subsidiary of the Company, entered into an agreement terminating the profit sharing rights with respect to the Xin Jiang Oilfield (the "Profit Sharing Rights") for an amount of approximately RMB39.9 million (approximately HK$45.2

million) allowing it to recover funds provided plus compensatory interest. The funds to be received from the disposals and termination will improve the financial position of the Group by providing funds to retire a large portion of Aptus' debt as well as improving the working capital condition and provide funding for other investment opportunities. In the extraordinary general meeting held on 10 July 2009, the shareholders of Aptus granted the approval for such disposals. As of the date of this report, Aptus and the purchaser have completed the legal title transfer of the Natural Gas Joint Ventures with the governmental authorities of the Hunan province.

OPERATIONS REVIEW

Aptus entered into agreements relating to the disposals of the equity interests in the Changde Joint Venture and the Hunan Joint Venture. The sales proceeds from the disposals of the Natural Gas Joint Ventures represented a return of approximately 92.3% in Hong Kong dollar terms in less than 3 years of its acquisition and will be able to provide funds to retire a large portion of the Company's debts thereby improving the overall working capital condition and provide funding for other investment opportunities.

Aside from the Natural Gas Joint Ventures, the Company is also involved in the trading of edible oil via its non-listed Singapore subsidiary. The crude palm oil traded by this Singapore subsidiary is recognized as healthier than animal fat, which is higher in cholesterol and less desirable in today's health conscious society. This year, weak economic conditions have dragged the growth of this sector. As a result, for the Year 2009, the revenue contribution to the Group was approximately HK$18.3 million, a decrease of about 53.8% as compared to approximately HK$39.6 million for the previous corresponding year (the "Year 2008").

FUTURE OUTLOOK AND PROSPECTS

Upon completion of the disposals of the Natural Gas Joint Ventures, the Group's principal activity for the time being would be the trading of edible oil via its non-listed Singapore subsidiary.

These operations are expected to improve on the back of increasing health consciousness and as the global economic conditions recover. Management envisions Aptus' edible oil trading business to not only be able to regain the temporary loss in revenue experienced in the Year 2009, but to extend beyond. Meanwhile, the management of the Group has identified a number of attractive business opportunities and are in varying stages of due diligence. The Group is currently working hard to bring new opportunities to fruition.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank all our valued shareholders, customers, business associates, advisors, management and staff for their invaluable assistance and support during this year.

Madam Cheung Kwai Lan
Chairman

Hong Kong, 28 September 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

On 24 April 2009, the Company entered into agreements relating to the termination of Profit Sharing Rights and the disposal of the 48.33% equity interest in the Changde Joint Venture and 33% equity interest in the Hunan Joint Venture. Financial information of the Profit Sharing Rights and the Natural Gas Joint Ventures for the Year 2009 were classified as discontinued operations. The comparative figures for the Year 2008 had been restated accordingly.

Turnover

Regarding the continuing operation, the turnover from edible oil trading business decreased by approximately 53.8% from approximately HK$39.6 million in the Year 2008 to approximately HK$18.3 million in the Year 2009, which was resulted from the continuous increase in the price of consumer goods thus reducing margins and demand.

Gross Profit

The details of gross profit and gross profit ratio of the Group are as follows:

	2009		2008	
	Gross Profit	**Gross Profit Ratio**	Gross Profit	Gross Profit Ratio
	HK$'000	**%**	HK$'000	%
Continuing operation				
– trading of edible oil	**46**	**0.3**	253	0.6

As mentioned in the section headed of "Turnover" above, in reaction to tougher market conditions, the low-price strategy adopted by the Group's edible oil trading business resulted in lower gross margins in the Year 2009.

Loss From Discontinued Operations

Loss from discontinued operations represented net result of the Group's share of net profit of the Natural Gas Joint Ventures for the Year 2009 of approximately HK$3.6 million, net loss of termination of the Profit Sharing Rights of approximately HK$0.4 million and impairment loss on goodwill for acquisition of CNPC Energy of approximately HK$31.8 million. That for the Year 2008 of approximately HK$4 million only represented the Group's share of net loss of the Natural Gas Joint Ventures of approximately HK$3.2 million and net loss of termination of the Profit Sharing Rights of approximately HK$0.8 million.

The result of the Natural Gas Joint Ventures improved over the Year 2009. The Group's share of the Natural Gas Joint Ventures' net profit for the Year 2009 was approximately HK$3.6 million while that of net loss of approximately HK$4 million was recorded in the Year 2008. The improvement in the performance was principally attributable to the increases in the Changde Joint Venture's end users and the number of distribution stations of Hunan Joint Venture.

In connection with the Profit Sharing Rights, no commercial production was launched during the Year 2009 and the previous corresponding period. Losses for the Profit Sharing Rights, mainly representing administrative expenses, of approximately HK$0.4 million and HK$0.8 million were derived in the Year 2009 and the Year 2008, respectively. On 24 April 2009, management of the Group entered into a termination agreement for the Profit Sharing Rights. Accordingly, the goodwill on acquisition of CNPC Energy, which held the rights on the Profit Sharing Arrangement, of approximately HK$31.8 million was written off in the current year.

On 24 April 2009, the Company entered into agreements to dispose of its equity in the Natural Gas Joint Ventures (further details are stated in the Chairman's Statement of this report). The transactions have been completed in September 2009. Gain on disposal of the Natural Gas Joint Ventures is to be recorded in the Group's quarterly report for the three months ending 30 September 2009.

Operating Costs

The Group's operating costs, representing mainly of administrative expenses, decreased by about HK$15.4 million from approximately HK$20.3 million in the Year 2008 to approximately HK$4.9 million in the Year 2009. The decrease was mainly attributable to (i) tightened control of staff costs and (ii) no share option expense recorded in the Year 2009. Staff costs decreased from approximately HK$9.7 million in the Year 2008 to approximately HK$2.1 million in the Year 2009. Share option expense charged in the Year 2008 amounted to approximately HK$7.7 million.

Finance Costs

The increase in finance costs over the Year 2009 from approximately HK$33.1 million in the Year 2008 to approximately HK$37 million in the Year 2009, was mainly attributable to the increase in imputed finance costs of the convertible bonds, which were issued by the Group in November 2006.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2009, the Group held assets of approximately HK$387.2 million (Year 2008: approximately HK$408.6 million), including cash and bank balances of approximately HK$2 million (Year 2008: approximately HK$40.6 million). Significant decrease in cash and bank balances as compared to immaterial fluctuation in the Group's total assets was noted because substantial cash and bank balances held by the Natural Gas Joint Ventures of approximately HK$38.9 million have been classified as assets held for sale in the current year.

As at 30 June 2009, the Group had borrowed loans (including convertible bonds) of approximately HK$339.4 million (Year 2008: HK$399.9 million). Decrease in outstanding bank and other borrowings noted in the current year was principally attributable to the net effect of (i) the borrowings held by the Natural Gas Joint Ventures (Year 2009: HK$108.7 million; Year 2008: HK$97.8 million) have been classified as liabilities associated with assets classified as held for sale in the Year 2009 but as bank and other borrowings in the Year 2008; and (ii) imputed finance costs of approximately HK$34.8 million accrued to the convertible bonds during the Year 2009.

The Directors consider 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no contingent liabilities.

CHARGES ON GROUP ASSETS

As at 30 June 2009 and up to the date of this report issued, 100% of the issued share capital of Good United Management Limited ("GUM"), a wholly-owned subsidiary of the Company, was pledged in favor of the holder(s) of the convertible bonds. GUM held 70% equity interests in CNPC Energy, which owned the Profit Sharing Rights. In addition, bank borrowings of approximately HK$59.9 million were secured by the gas network of the Hunan Joint Venture.

CAPITAL STRUCTURE

During the year ended 30 June 2009, the Company issued 18,450,000 shares based on share options granted in 2004 under the share option scheme to eligible participants. As at 30 June 2009, the number of the Company's issued shares was enlarged to 1,762,841,428 shares.

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 with a gross yield at 11% per annum, calculated on a semi-annual basis. The convertible bonds were issued for the purpose of the acquisition of a 48.33% equity interest in Changde Joint Venture and a 33% equity interest in the Hunan Joint Venture and general working capital purposes.

On 14 May 2009, the Company and China Vanguard Group Limited, the ultimate holding company of Aptus, announced in the joint announcement that, in relation to the sales agreements of disposal of interest in Changde Joint Venture and Hunan Joint Venture (the "Sales Agreements"), part of the proceeds from the Sales Agreements would likely be applied to redeem the convertible bonds. On 28 August 2009, the Company entered into a deed with Evolution, the sole beneficial owner of the convertible bonds, undertook to the Company that Evolution will not exercise its conversion right under the convertible bonds and the Company undertook to Evolution that the Company will redeem the convertible bonds when enough cash amount is available for the redemption.

On each of 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 bondholder(s) on the Put Option Date together with interest accrued to the Put Option Date.

Unless previously redeemed, converted, 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, as stated in the consolidated balance sheet and note 30, 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.

For details of convertible bonds, please refer to the joint announcements of the Company and China Vanguard Group Limited ("China Vanguard") dated 9 November 2006, 23 October 2008, 7 January 2009 and 28 August 2009.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

No significant exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB or US dollars. The Group's major investment and financing strategies are to invest in domestic projects in the PRC by Hong Kong dollars borrowings. As the exchange rate of RMB against Hong Kong dollars is relatively stable and the Group's operating income is substantially denominated in RMB, the Group did not perform any foreign currency hedging activities during the year. Nevertheless, the Group will from time to time review and adjust the Group's investment and financing strategies based on the RMB, US dollars and Hong Kong dollars exchange rate movement.

EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 30 June 2009, the Group had 13 staff employed by the Company and its subsidiaries. Remuneration is determined by reference to market terms and the performance, qualification and experience of individual employees. In addition to salaries and provident fund contributions, the Group also offers medical benefits and training programs. Share options may be granted to employees based on performance evaluation in order to provide incentives and rewards.

SIGNIFICANT INVESTMENT

For the year ended 30 June 2009, the Group did not have any significant investments.

MATERIAL ACQUISITION AND DISPOSAL

On 24 April 2009, the Company entered into agreements relating to the disposal of the 48.33% equity interest in the Changde Joint Venture and 33% equity interest in the Hunan Joint Venture own by the Company. These transactions, together with the termination agreement regarding the Profit Sharing Rights were approved by the shareholders in the extraordinary general meeting held on 10 July 2009. For the details of the transactions, please refer to the joint circular of the Company and China Vanguard Group Limited dated 24 June 2009.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Madam CHEUNG Kwai Lan, aged 71, was appointed as an Executive Director on 20 December 2004. She is also director of various subsidiaries of the Group. Madam Cheung is responsible for business development, strategic planning and marketing for the Group. She is a founder and chairman of China Vanguard Group Limited ("China Vanguard"), a company listed on the GEM of the Stock Exchange which is the ultimate holding company of Aptus, and is also the Vice President of the Zhang Xueliang Foundation（張學良基金會）. She graduated from Shanxi Tai Yuan Medical School in 1960 and was a researcher at Shanxi Province Tai Yuan (Atomic Energy) Research Centre（山西省太原（原子能）研究所）, which was one of the institutions of the Chinese Academy of Sciences. She also participated in the research and development of the radioactive material Cobalt 60 for imaging and cancer treatment. She is the mother of Mr. Chan Ting, being an Executive Director of the Company and Ms. Chan Siu Sarah, being the General Counsel of the Group.

Mr. CHAN Ting, aged 39, was appointed as an Executive Director and the Authorised Representative of the Company on 27 August 2004. He is also the Chief Executive Officer of the Company, director of various subsidiaries and the Chairman of the remuneration committee of the Group. He was awarded a degree in Economics from Macquarie University in Australia in 1993. Mr. Chan has over 16 years of solid experience in establishing and managing companies in the PRC. He is an executive director and chief executive officer of China Vanguard. He is the son of Madam Cheung Kwai Lan, being an Executive Director of the Company and the brother of Ms. Chan Siu Sarah, being the General Counsel of the Group.

Mr. FUNG King Him Daniel, aged 39, was appointed as an Executive Director, the Compliance Officer and Authorised Representative of the Company on 27 August 2004. He is also director of various subsidiaries of the Group. He holds a bachelor degree from the University of Wisconsin in the United States of America with double majors in Mathematics and Computer Science. He previously worked in Lehman Brothers Asia Limited, HSBC Asset Management Limited and Platinum Securities Company Limited.

Independent Non-executive Directors

Mr. TIAN He Nian, aged 69, was appointed as an Independent Non-executive Director and the audit committee member of the Company on 30 September 2004. He was the Deputy Head of the Department of United Front Work of the Central Government of the PRC from 1998 to 2003. He is the Vice-Chairman of China Overseas Association. He is also an independent non-executive director and audit committee member of China Vanguard.

Mr. ZHANG Xiu Fu, aged 75, was appointed as an Independent Non-executive Director and a member of each of the audit committee and the remuneration committee of the Company on 25 January 2008. He devoted himself to the Chinese Revolution in August 1948 and joined in the Communist Party in March 1950. He had served as the Head of the Municipal Police of Hangzhou city, Zhejiang province, the Chief Officer of the Provincial Police of Zhejiang province, a member of the Communist Party's Provincial Standing Committee in Zhejiang province and the Secretary of the Political and Legislative Affairs Committee. He had also served as the Commissar of the Chinese People's Armed Police, the Vice Minister and the Vice Head of the party organization of the Chinese Ministry of Legislation, a representative of the Nine National People's Congress, a member of the Legislation Committee of the National People's Congress and the Vice President of China Law Science Association. He currently served as the president of the China Legal Aid Foundation. He is also an independent non-executive director, member of each of the audit committee and the remuneration of China Vanguard.

Mr. ZOU Qi Jun, aged 73, was appointed as an Independent Non-executive Director and a member each of the audit committee and the remuneration committee on 9 September 2008. He was born in Chongqing city of the PRC. He graduated from Zhongshan Medical University in 1956. He has been the President of the Second Associated Hospital of Jinan University (Shenzhen City People's Hospital), director, medical professor and Chief Physician of the Institute of Gerontology of Shenzhen City. He was a special allowance expert of the State Council and a distinguished expert in Shenzhen City. He has also served as a guest expert reviewer of the Chinese Journal of Medicine, the executive editor of the Chinese Journal of Microcirculation, Vice Chairman of the Council of Chinese Medical Association in the Guangdong Province for Geriatrics, the Chairman of the Council of the Shenzhen Municipal Chinese Medical Association. Mr. Zou is currently the Vice President of the Shenzhen Institute of Health Technology, Chief Health Education Expert of Shenzhen City, health education adviser of the Health Bureau of Shenzhen City.

Mr. TO Yan Ming Edmond, aged 37, was appointed as an Independent Non-executive Director, Chairman of the audit committee and a member of the remuneration committee of the Company on 11 January 2006. Mr. To holds a bachelor degree in Commerce in Accounting from Curtin University of Technology in Western Australia. He is a practicing accountant and presently the director of Fortitude C.P.A. Limited, Edmond To CPA Limited and Zhonglei (HK) CPA Company Limited. He is a member of both the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for one of the international accounting firms, Deloitte Touche Tohmatsu and has over 10 years of experience in auditing, accounting, floatation and taxation matters. Mr. To was appointed as an independent non-executive director and a member of each of the audit committee and the remuneration committee of BEP International Holdings Limited (a company that is listed on the Main Board of the Stock Exchange) on 5 June 2009. Mr. To is also an independent non-executive director, a member of the audit committee and the remuneration committee of China Vanguard.

SENIOR MANAGEMENT

Ms. CHAN Siu Sarah, aged 44, the General Counsel of the Group. She obtained her law degree from the London School of Economics and Political Science in 1989 and was qualified to practice law as solicitor in Hong Kong in 1992 and England and Wales in 1993. She did her solicitor's training with the international firm of Baker & McKenzie in Hong Kong and, after qualification, worked for 4 years at the international firm of Linklaters in Hong Kong specializing in projects and project finance with a particular focus on China. She then spent the next 7 years as corporate counsel with the Asia Pacific regional headquarter of Lucent Technologies in Hong Kong attending legal matters in the region. From 2004 to 2007, she was appointed the regional general counsel for the Asia Pacific region of Avon Products Inc., leading its legal, government and regulatory affair teams in the region. Ms. Chan has been an executive director of Avon Products Co., Ltd. which is listed on the JASDAQ Securities Exchange, Inc. for the period from March 2006 to December 2007. Ms. Chan is also the executive director and general counsel of China Vanguard. Ms. Chan is the daughter of Madam Cheung Kwai Lan and the sister of Mr. Chan Ting, all being Executive Directors of the Company. She joined the Group in May 2008.

Mr. YOUNG Russell, aged 46, is a Director of Corporate Strategy of the Group. He is involved in the corporate strategy and business development of the Group. He holds a Bachelor of Commerce and Administration from Victoria University, New Zealand and a Masters in Business Studies from Massey University, New Zealand. He has over 16 years experience in the finance industry and has held senior positions in a number of reputable investment banks. Prior to joining the Group, he was Regional Head of Mid-Cap Research for Nomura International (Hong Kong) Ltd. after having been Head of Energy and Basic Material Research and Regional Head of Utilities Research. Mr. Young was formerly an independent non-executive director of one of Asia's largest downsteam aluminum products producers. He joined the Group in April 2006.

DIRECTORS AND SENIOR MANAGEMENT

Mr. WONG Kim Ket, aged 48, is an executive director of a subsidiary of the Company, Hsing Long Trading Co. Pte., Ltd., in Singapore, which is mainly engaged in the edible oil trading business. He is one of the founders of the subsidiary and has been managing the subsidiary for more than 10 years. His formal educational background is in computer engineering while also holding a Master in Business Administration (MBA) from University of Oregon in USA. His responsibilities include overall day-to-day management and operations, and implementation and control of new as well as existing strategies and businesses for the subsidiary. He has more than 19 years of working experience in international trade and financial operations.

Mr. CHAN Ka Yin, aged 35, joined the Group as the Chief Financial Officer in March 2006. He was appointed as the Company Secretary on 28 February 2007. He holds a bachelor degree in Business Administration from the University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants. He has over 13 years of experience in auditing, accounting and financial management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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.

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 Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, details of which are stated under the heading of "NON-EXECUTIVE DIRECTORS" below, the Company has complied all remaining provisions of the Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the rules set out in Rules 5.48 to 5.67 of 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 year.

BOARD OF DIRECTORS

The Board of Directors (the "Board") comprises seven Directors, of whom three are Executive Directors and four are Independent Non-executive Directors. During the Year 2009, one Independent Non-executive Director was appointed by the Company and one Independent Non-executive Director resigned due to retirement. The participation of Independent Non-executive Directors in the Board brings independent judgment on issues relating to the Group's strategies, performance, conflicts of interests and management process to ensure that the interests of all shareholders of the Company have been duly considered.

The Board considers that all the Independent Non-executive Directors are independent and has received from each of them the annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules.

Madam Cheung Kwai Lan, the Chairman, is the mother of Mr. Chan Ting, the Chief Executive Officer. Both of Madam Cheung Kwai Lan and Mr. Chan Ting are Executive Directors of the Company.

CORPORATE GOVERNANCE REPORT

The Board held at least a board meeting for each quarter. Details of the attendance of the Directors during the year ended 30 June 2009 are as follows:

	Attendance
Executive Directors	
Madam Cheung Kwai Lan	10/10
Mr. Chan Ting	10/10
Mr. Fung King Him Daniel	10/10
Independent Non-executive Directors	
Mr. Tian He Nian	8/10
Mr. Zhang Xiu Fu	8/10
Mr. Zou Qi Jun *(appointed on 9 September 2008)*	8/10
Mr. To Yan Ming Edmond	8/10
Mr. Zhao Zhi Ming *(resigned on 30 June 2009)*	8/10

The Board is entrusted with the overall responsibility for promoting the success of the Company by the direction and supervision of the Company's business and affairs and the ultimate responsibility for the day to day management of the Company which is delegated to the management. For significant matters that are specifically delegated by the Board, the management must report back to and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman of the Board is Madam Cheung Kwai Lan. The Chief Executive Officer of the Company is Mr. Chan Ting.

The posts of Chairman and Chief Executive Officer are separated to ensure a clear division between the Chairman's responsibility to manage the Board and the Chief Executive Officer's responsibility to manage the Company's business. The separation ensures a balance of power and authority so that power is not concentrated in any individual.

NON-EXECUTIVE DIRECTORS

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 limits on term of non-executive directorship 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.

REMUNERATION COMMITTEE

The remuneration committee is tasked with the responsibility of overseeing Board remuneration matters.

The remuneration committee is chaired by Mr. Chan Ting, an Executive Director of the Company. The remuneration committee's other three members are Mr. Zhang Xiu Fu, Mr. Zou Qi Jun and Mr. To Yan Ming Edmond, Independent Non-executive Directors of the Company. Mr. Zhao Zhi Ming, a formed member of the remuneration committee, resigned on 30 June 2009.

The role of the remuneration committee is to recommend to the Board a framework for remunerating the Board and key executives and to determine specific remuneration packages for each Executive Director of the Company. In carrying out of the above, the remuneration committee may obtain independent external legal and other professional advice as deemed necessary. The expenses of such advice shall be borne by the Company.

The remuneration package for the Executive Directors of the Company comprises a basic salary and a performance-related bonus for their contributions. The Independent Non-executive Directors receive a basic fee for their services. All revisions to the remuneration packages of the Directors are subject to the review and approval of the Board. The directors' fees are subject to shareholders' approval at the annual general meeting. Details of directors' remuneration for each Director are set out in note 11 to the financial statements.

During the year ended 30 June 2009, one meeting for the remuneration committee was held with attendance of all committee members.

NOMINATION OF DIRECTORS

The Board does not establish the nomination committee at present to make recommendations to the Board on appointment of Directors. The Company understands the needs to maintain its cost competitiveness and will review the need for a nomination committee at an appropriate time.

Candidates are appointed to the Board on the basis of the competencies and experience that they would be bringing to the Company. The Company believes that members of the Board, individually and collectively, have satisfactorily discharged their duties to the Company.

AUDITORS' REMUNERATION

During the year, remuneration paid/payable to auditors for audit services is approximately HK$500,000 and no non-audit service was performed.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based on the guidelines recommended by the Hong Kong Institute of Certified Public Accountants 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, semi-annual report and quarterly reports and to provide advices and comments thereon to the Board.

The audit committee meets at least four times each year with management to review the accounting principles and practices adopted by the Group and to discuss auditing, internal control and financial reporting matters.

CORPORATE GOVERNANCE REPORT

The audit committee currently comprises four Independent Non-executive Directors of the Company, namely Mr. To Yan Ming Edmond, Mr. Tian He Nian, Mr. Zhang Xiu Fu and Mr. Zou Qi Jun. Mr. To Yan Ming Edmand is the Chairman of the audit committee. Mr. Zhao Zhi Ming, a former member of the audit committee, resigned on 30 June 2009.

The audit committee met four times during the year ended 30 June 2009. Individual attendance of each committee member at these meetings is as follows:

	Attendance
Mr. To Yan Ming Edmond	4/4
Mr. Tian He Nian	4/4
Mr. Zhang Xiu Fu	4/4
Mr. Zou Qi Jun *(appointed on 9 September 2008)*	4/4
Mr. Zhao Zhi Ming *(resigned on 30 June 2009)*	4/4

The audit committee reviewed the Group's audit results for the year ended 30 June 2009 with management and the Company's external auditors and recommended its adoption by the Board.

RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. A statement by the Company's independent auditors about their reporting responsibilities in the Independent Auditors' Report on the Group's consolidated financial statement is set out on pages 25 to 26.

INTERNAL CONTROL

The Board with the Audit Committee are responsible for maintaining sound and effective internal control systems for the Company to safeguard its assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control systems. The Board has reviewed the effectiveness of the Group's internal control system, covering financial, operational and compliance controls and risk management functions during the year under review.

In such review, the Board has considered factors such as changes since the last review, scope and quality of management's monitoring of risks; incidence of significant control failings and weaknesses identified; and effectiveness relating to financial reporting and compliance with the applicable laws and regulations including the GEM Listing Rules.

The Board has delegated to executive management the design, implementation and ongoing monitoring of such system of internal controls covering financial, operational and compliance controls and risk management procedures. Qualified personnel throughout the Group maintain and monitor this system of controls on an ongoing basis.

INVESTOR RELATIONS

The Board puts great emphasis on investor relationship in particular fair disclosure and comprehensive report of the Company's performance and activities.

Shareholders are encouraged to attend the annual general meeting ("AGM") of the Company and the Directors always make efforts to fully address any questions raised by the shareholders at the AGM.

The Company provides comprehensive information about the Group in its website (www.aptus.com.hk) to investors and potential investors. Hard copies of the annual reports, half-yearly report, quarterly reports and circulars are all sent to shareholders, as well they are available at the Company's website.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

An analysis of the Group's performance for the year by business is set out in note 7 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 27.

The Directors do not recommend the payment of any dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL, CONVERTIBLE BONDS AND SHARE OPTIONS

Details of movements in the share capital, convertible bonds and share options of the Company during the year are set out in notes 29, 30 and 31 to the consolidated financial statements respectively.

RESERVES

Details of movements in the reserves of the Group during the year are set out on page 30.

DISTRIBUTABLE RESERVES

As at 30 June 2009, the Company had no retained profits available for cash distribution and/or distribution in specie. As at 30 June 2009, under the Companies Law (2001 Second Revision) of the Cayman Islands, the Company's share premium account and capital reserve of approximately HK$96,722,000 and HK$15,826,000, respectively, may be distributed to the shareholders, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the five financial years is set out on page 90.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors
Madam Cheung Kwai Lan
Mr. Chan Ting
Mr. Fung King Him Daniel

Independent Non-executive Directors
Mr. Tian He Nian
Mr. Zhang Xiu Fu
Mr. Zou Qi Jun *(appointed on 9 September 2008)*
Mr. To Yan Ming Edmond
Mr. Zhao Zhi Ming *(resigned on 30 June 2009)*

In accordance with Article 87(1) of the Articles of Association of the Company (the "Articles"), Mr. Chan Ting, Mr. Tian He Nian and Mr. To Yan Ming Edmond, being the Directors to retire by rotation, shall retire from office and, being eligible, offers themselves for re-election at the forthcoming annual general meeting.

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the Independent Non-executive Directors are independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 10 to 12 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The three Executive Directors, Madam Cheung Kwai Lan, Mr. Chan Ting and Mr. Fung King Him Daniel, have not entered into service contracts with the Company. They are not appointed for a specific term and are subject to retirement by rotation and re-election pursuant to the Articles. They are also entitled to terminate their appointment at any time by giving the Company at least three months' notice in writing. The four Independent Non-executive Directors, Mr. Tian He Nian, Mr. Zhang Xiu Fu, Mr. Zou Qi Jun and Mr. To Yan Ming Edmond, have not entered into service contracts with the Company. They are not appointed for a specific term and are subject to retirement by rotation and re-election pursuant to the Articles.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No other contracts of significance to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are recommended by the remuneration committee and determined by the Company's Board with reference to Directors' duties, responsibilities and performance and the results of the Group.

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 June 2009, the interests and short positions 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				
	The Company/ Name of associated corporation	Interest in controlled corporation	Beneficial owner	Family Interest	Total interest	Percentage of Interest shareholding
Madam Cheung Kwai Lan	The Company (Note 1)	971,746,428	–	–	971,746,428	55.12
	China Vanguard Group Limited ("China Vanguard") (Notes 4 & 5)	2,095,857,322	2,070,000	–	2,097,927,322 (Note 6)	65.32

Notes:

1. These 971,746,428 shares of the Company are held by Precise Result Profits Limited ("Precise Result").

2. Precise Result is a company incorporated in BVI and is a wholly-owned subsidiary of China Success Enterprises Limited ("China Success"). As at 30 June 2009, 48,750,000 shares of the Company out of such 971,746,428 shares of the Company owned by Precise Result have been lent to Evolution Master Fund, Ltd. SPC, Segregated Portfolio M.

3. China Success is a company incorporated in BVI and a wholly-owned subsidiary of China Vanguard.

4. These 2,095,857,322 shares of China Vanguard are held by Best Frontier Investments Limited ("Best Frontier").

DIRECTORS' REPORT

5. The entire issued share capital of Best Frontier comprises 910 shares of US$1.00 each, of which 909 shares are held by Madam Cheung Kwai Lan and 1 share is held by Mr. Chan Tung Mei. As Madam Cheung Kwai Lan is entitled to exercise or control the exercise of one-third or more of the voting power at the general meetings of Best Frontier, she is deemed to be interested in the entire issued share capital of Best Frontier by virtue of the SFO. Madam Cheung Kwai Lan, being a Director of the Company, is also a director of Best Frontier.

6. In addition to the interest in the aggregate of 2,097,927,322 shares of China Vanguard as set out in the table above, Madam Cheung Kwai Lan is interested in the following underlying shares of China Vanguard:

   (i) 6,240,000 shares of China Vanguard, being the maximum number of shares of China Vanguard which may be allotted and issued to Madam Cheung Kwai Lan upon exercise of the options granted to Madam Cheung Kwai Lan under the share option scheme of China Vanguard which are outstanding as at 30 June 2009; and

   (ii) 6,240,000 shares of China Vanguard, being the maximum number of shares of China Vanguard which may be allotted and issued to Mr. Chan Tung Mei upon exercise of the options granted to him under the share option scheme of China Vanguard which are outstanding as at 30 June 2009 and which Madam Cheung Kwai Lan is deemed to be interested by virtue of Mr. Chan Tung Mei being the spouse of Madam Cheung Kwai Lan pursuant to the SFO.

(2) Share option scheme

Details of the share option scheme adopted by the Company are set out in note 31 to the consolidated financial statements. As at 30 June 2009, 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 June 2009, 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 year 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 year.

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

As at 30 June 2009, 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 Shares of the Company

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Precise Result (Note 2)	Beneficial owner	971,746,428 (Note 1)	–	971,746,428	55.12
China Success (Notes 3 and 4)	Interest in controlled corporation	971,746,428 (Note 1)	–	971,746,428	55.12
China Vanguard (Notes 1 and 4)	Interest in controlled corporations	971,746,428 (Note 1)	–	971,746,428	55.12
Best Frontier (Notes 4 and 5)	Interest in controlled corporations	971,746,428 (Note 1)	–	971,746,428	55.12
Cheung Kwai Lan (Notes 5 and 6)	Interest in controlled corporations	971,746,428 (Note 1)	–	971,746,428	55.12
Chan Tung Mei (Notes 5 and 6)	Interest in controlled corporations	971,746,428 (Note 1)	–	971,746,428	55.12
Evolution Master Fund, Ltd. SPC, Segregated Portfolio M ("Evolution")	Beneficial owner	48,750,000	406,532,314	455,282,314	25.83
Evolution Capital Management, LLC ("Evo LLC")	Investment manager	48,750,000	406,532,314	455,282,314	25.83
Structured Investments Ltd.	Other	48,750,000	406,532,314	455,282,314	25.83

DIRECTORS' REPORT

Name of Shareholders	Capacity/ Nature of interest	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of shareholding
Evo Capital Management Asia Limited	Investment manager	48,750,000	406,532,314	455,282,314	25.83
Citigroup Global Markets Ltd.	Person having a security interest in shares	48,750,000	406,532,314	455,282,314	25.83
Citigroup Global Markets Europe Ltd.	Person having a security interest in shares	48,750,000	406,532,314	455,282,314	25.83
Citigroup Global Markets LLC	Person having a security interest in shares	48,750,000	406,532,314	455,282,314	25.83
Citigroup Global Markets (International) Finance AG	Person having a security interest in shares	48,750,000	406,532,314	455,282,314	25.83
Citigroup Financial Products Inc.	Person having a security interest in shares	48,750,000	406,532,314	455,282,314	25.83
Citigroup Global Markets Holdings Inc.	Person having a security interest in shares	48,750,000	406,532,314	455,282,314	25.83
Citigroup Inc.	Person having a security interest in shares	48,750,000	406,532,314	455,282,314	25.83

Short Positions in Underlying Share of the Company

Name of shareholders	Capacity/ Nature of interest	Number of underlying shares	Percentage of shareholding
Evolution	Beneficial owner	48,750,000	2.77
Evo LLC	Investment manager	48,750,000	2.77

Notes:

1. Such 971,746,428 shares of the Company refer to the same parcel of shares.

2. Precise Result is a company incorporated in BVI and is a wholly-owned subsidiary of China Success. As at 30 June 2009, 48,750,000 shares of the Company out of such 971,746,428 shares owned by Precise Result have been lent to Evolution.

3. China Success is a company incorporated in BVI and a wholly-owned subsidiary of China Vanguard. Best Frontier is the holding company of China Vanguard holding 2,095,857,322 shares of China Vanguard representing approximately 65.25% of the issued share capital of China Vanguard as at 30 June 2009.

4. By virtue of the SFO, each of China Success, China Vanguard and Best Frontier is deemed to be interested in these 971,746,428 shares of the Company directly held by Precise Result.

5. The entire issued share capital of Best Frontier comprises 910 shares of US$1.00 each, of which 909 shares are held by Madam Cheung Kwai Lan and 1 share is held by is Mr. Chan Tung Mei. As Madam Cheung Kwai Lan is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of Best Frontier, she is deemed to be interested in the entire issued share capital of Best Frontier by virtue of the SFO. As Mr. Chan Tung Mei is the spouse of Madam Cheung Kwai Lan, he is deemed to be interested in the entire issued share capital of Best Frontier by virtue of the SFO.

6. Since each of Madam Cheung Kwai Lan and Mr. Chan Tung Mei is deemed to be interested in the entire issued share capital of Best Frontier as explained in note 5 above, each of them is deemed to be interested in these 971,746,428 shares of the Company.

Save as disclosed above, as at 30 June 2009, 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.

CONNECTED TRANSACTIONS

During the year, there were no significant transactions which require to be disclosed as connected transactions accordance with the requirements of the GEM Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five customers accounted for 63.4% of the total sales for the year and sales to the largest customer included therein amounted for 18.3%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier included therein amount to 51.5%.

None of the Directors of the Company, or any of their associates or any other shareholders, which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and suppliers during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

DIRECTORS' REPORT

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

During the year, 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 45 to the financial statements.

AUDITORS

Messrs. W.H. Tang & Partners CPA Limited retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Madam Cheung Kwai Lan
Chairman

Hong Kong, 28 September 2009

INDEPENDENT AUDITORS' REPORT

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W.H. TANG
& PARTNERS
CPA LIMITED

TO THE SHAREHOLDERS OF APTUS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Aptus Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 27 to 89, which comprise the consolidated balance sheet as at 30 June 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2009 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

W.H. Tang & Partners CPA Limited
Certified Public Accountants

Tang Wai Hung
Practising Certificate Number P03525
Hong Kong, 28 September 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000 (Restated)
Continuing operation			
Revenue	8	**18,292**	39,562
Cost of sales		**(18,246)**	(39,309)
Gross profit		**46**	253
Other revenue	8	**14**	50
Administrative expenses		**(4,911)**	(20,264)
Finance costs	9	**(36,984)**	(33,087)
Loss before taxation	10	**(41,835)**	(53,048)
Income tax	13	**–**	(3)
Loss for the year from continuing operation		**(41,835)**	(53,051)
Discontinued operations			
Loss for the year from discontinued operations	14	**(28,557)**	(4,036)
Loss for the year		**(70,392)**	(57,087)
Attributable to:			
Equity holders of the Company			
Continuing operation		**(41,657)**	(52,807)
Discontinued operations		**(28,557)**	(4,036)
		(70,214)	(56,843)
Minority interests			
Continuing operation		**(178)**	(244)
Discontinued operations		**–**	–
		(178)	(244)
		(70,392)	(57,087)
Loss per share			
From continuing and discontinued operations			
Basic	16	**(HK3.99 cents)**	(HK3.33 cents)
From continuing operation			
Basic	16	**(HK2.37 cents)**	(HK3.09 cents)

CONSOLIDATED BALANCE SHEET

At 30 June 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	**45**	218,006
Interest in an associate	19	**–**	1,889
Goodwill	20	**–**	81,215
Construction in progress	21	**–**	6,912
Prepaid lease payments	22	**–**	15,502
		45	323,524
CURRENT ASSETS			
Inventories	23	**–**	4,306
Accounts receivables	24	**–**	610
Prepaid lease payments	22	**–**	452
Prepayments, deposits and other receivables	25	**34,995**	38,385
Tax recoverable		**1**	680
Bank balances and cash	26	**1,990**	40,629
		36,986	85,062
Assets classified as held for sale	15	**350,193**	–
		387,179	85,062
CURRENT LIABILITIES			
Accounts payables	27	**105**	6,823
Accrued liabilities and other payables		**10,634**	19,555
Bank and other borrowings	28	**16,500**	11,344
		27,239	37,722
Liabilities associated with assets classified as held for sale	15	**123,825**	–
		151,064	37,722
NET CURRENT ASSETS		**236,115**	47,340
TOTAL ASSETS LESS CURRENT LIABILITIES		**236,160**	370,864

	Notes	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES			
Share capital	29	**17,628**	17,444
Reserves		**(119,412)**	(50,433)
Equity attributable to equity holders of the Company		**(101,784)**	(32,989)
Minority interests		**15,055**	15,278
		(86,729)	(17,711)
NON-CURRENT LIABILITIES			
Bank and other borrowings	28	**19,645**	114,251
Convertible bonds	30	**303,244**	274,324
		322,889	388,575
		236,160	370,864

The consolidated financial statements on pages 27 to 89 were approved and authorised for issue by the Board of Directors on 28 September 2009 and are signed on its behalf by:

CHAN TING
Director

FUNG KING HIM DANIEL
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2009

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share option reserve HK$'000	Convertible bonds reserve HK$'000	Translation reserve HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Accumulated losses HK$'000	Discontinued operations HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 July 2007	16,979	78,120	10,712	5,384	90,960	15,826	(225,489)	–	(7,508)	15,312	7,804
Recognition of equity-settled share based payments	–	7,674	–	–	–	–	–	–	7,674	–	7,674
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	19,144	–	–	–	–	19,144	947	20,091
Transfer to accumulated losses due to lapse of share options	–	(85,794)	–	–	–	–	85,794	–	–	–	–
Released on deemed disposal of a subsidiary	–	–	–	(12)	–	–	–	–	(12)	(737)	(749)
Net income recognized directly in equity	16,979	–	10,712	24,516	90,960	15,826	(139,695)	–	19,298	15,522	34,820
Net loss for the year	–	–	–	–	–	–	(56,843)	–	(56,843)	(244)	(57,087)
Total recognized income and expenses for the year	16,979	–	10,712	24,516	90,960	15,826	(196,538)	–	(37,545)	15,278	(22,267)
Shares issued on exercise of options	465	–	–	–	4,091	–	–	–	4,556	–	4,556
At 30 June 2008 and at 1 July 2008	17,444	–	10,712	24,516	95,051	15,826	(196,538)	–	(32,989)	15,278	(17,711)
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	(436)	–	–	–	–	(436)	(45)	(481)
Discontinued operations	–	–	–	(19,990)	–	–	–	19,990	–	–	–
Net income recognized directly in equity	17,444	–	10,712	4,090	95,051	15,826	(196,538)	19,990	(33,425)	15,233	(18,192)
Net loss for the year	–	–	–	–	–	–	(70,214)	–	(70,214)	(178)	(70,392)
Total recognized income and expenses for the year	**17,444**	**–**	**10,712**	**4,090**	**95,051**	**15,826**	**(266,752)**	**19,990**	**(103,639)**	**15,055**	**(88,584)**
Shares issued on exercise of options	184	–	–	–	1,671	–	–	–	1,855	–	1,855
At 30 June 2009	**17,628**	**–**	**10,712**	**4,090**	**96,722**	**15,826**	**(266,752)**	**19,990**	**(101,784)**	**15,055**	**(86,729)**

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Loss before taxation		
Continuing operation	**(41,835)**	(53,048)
Discontinued operations	**(27,072)**	(4,451)
	(68,907)	(57,499)
Adjustments for:		
Interest income	**(611)**	(707)
Finance costs	**42,438**	37,485
Amortization of prepaid lease payments	**466**	461
Depreciation of property, plant and equipment	**19,765**	17,719
Share option expenses	**–**	7,674
Impairment loss on goodwill	**31,761**	–
Loss on deemed disposal of a subsidiary	**–**	7
Loss on disposal of an associate	**7**	–
Loss on disposal of property, plant and equipment	**3**	–
Allowance for doubtful receivable	**–**	856
Reversal of allowance recognized in respect of doubtful receivable	**(100)**	–
Share of result of an associate	**(124)**	40
Operating cash flows before movements in working capital	**24,698**	6,036
Decrease (increase) in inventories	**2,591**	(2,318)
Increase in accounts receivables	**(518)**	(28)
Increase in prepayments, deposits and other receivables	**(5,122)**	(2,718)
Decrease in accounts payables	**(2,005)**	(3,446)
(Decrease) increase in accrued liabilities and other payables	**(2,756)**	9,172
Net cash from operations	**16,888**	6,698
Tax refund (paid)	**554**	(1,071)
NET CASH FROM OPERATING ACTIVITIES	**17,442**	5,627

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2009

	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES		
Interest received	**611**	707
Purchases of property, plant and equipment	**(6,988)**	(10,666)
Purchases of construction in progress	**(22,994)**	(17,249)
Additions of prepaid lease payments	**(316)**	(2,191)
Deemed disposal of a subsidiary	**–**	(208)
Proceed from disposal of an associate	**2,006**	–
NET CASH USED IN INVESTING ACTIVITIES	**(27,681)**	(29,607)
FINANCING ACTIVITIES		
Interest paid	**(10,882)**	(5,223)
Issue of shares	**1,855**	4,556
Net raising of borrowings	**19,685**	7,879
NET CASH FROM FINANCING ACTIVITIES	**10,658**	7,212
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**419**	(16,768)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**40,629**	49,110
Effect of foreign exchange rate changes	**(198)**	8,287
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Represented by,		
Bank balances and cash	**1,990**	40,629
Cash and cash equivalents included in assets held for sale	**38,860**	–
	40,850	40,629

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is China Vanguard Group Limited, which is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of the Stock Exchange. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is located at Room 2201, 22/F., Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars and the functional currency of the Company's subsidiaries and jointly controlled entities is Renminbi ("RMB"). As the Company is listed on Hong Kong, the directors considered that it is appropriate to present the consolidated financial statements in Hong Kong dollars.

The principal activities of the Company is investment holding. The activities of its principal subsidiaries and jointly controlled entities are set out in notes 33 and 34 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective for accounting periods beginning on or after 1 July 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 9 & HKFRS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – continued

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions[5]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosure about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[6]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[4]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 October 2008
7 Effective for transfer on or after 1 July 2009

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of the other new or revised standards and interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA as well as the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared on the historical cost convention, except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Non-current assets held for sale and discontinued operation

(a) Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets and explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets and financial assets (other than investments in subsidiaries). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 3.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' (disposal groups') previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets held for sale and discontinued operation – continued

(b) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operation, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (as referred to in (a) above), if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under Hong Kong Financial Reporting Standard ("HKFRS") 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognized and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separated entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognizes its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment is recognized immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, unrealized profits or losses are eliminated to the extent to the Group's interest in the jointly controlled entity, except to the extent that unrealized losses provided evidence of an impairment of the asset transferred, in which case the full amount of losses is recognized.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associate are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, interest in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition are recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit and loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Goodwill

Goodwill arising on an acquisition of a subsidiary for which the agreement date is before 1 July 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition.

For previously capitalized goodwill, the Group has discontinued amortization from 1 July 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on an acquisition of a business or a jointly controlled entity for which the agreement date is on or after 1 July 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant subsidiary at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalized goodwill arising on an acquisition of a subsidiary or a jointly controlled entity is presented separately in the consolidated balance sheet.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of a business or a jointly controlled entity, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

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. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment, comprising leasehold buildings, gas distribution network, gas storage equipment, other equipment, office equipment, furniture and fixtures, motor vehicles and computers equipment, are stated at cost less accumulated depreciation and any identified impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the property, plant and equipment to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalized as an additional cost of that property, plant and equipment.

Property, plant and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold buildings	3%-5%
Furniture and fixtures	20%
Office equipment	7%-25%
Computer equipment	20%-25%
Motor vehicles	6%-14%
Gas distribution network	5%-10%
Gas storage equipment	5%-31%
Other equipment	8%-19%

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognized.

Construction in progress

Construction in progress in represents property, plant and equipment in the course of construction for production or for the Group's own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Inventories

Inventories, including construction materials, gas and gas appliances for sales, are stated at the lower of cost and net realizable value. Cost is calculated using the weighted-average method. Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs to completion and the estimated costs necessary to make the sales.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating lease is recognized in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expenses on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit and loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

Land and building elements of a lease of land and building are considered separately for the purpose of lease classification, leasehold land which title is not expected to pass to the lessee by the end of the lease term is classified as an operating lease unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is classified as a finance lease and accounted for as property, plant and equipment.

Impairment losses on assets other than goodwill

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognized as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, associates and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Employee benefits

(a) Retirement benefits schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Employee benefits – continued

(a) Retirement benefits schemes – continued

The employees of the Group's subsidiary that operated in the People's Republic of China and Singapore are required to participate in a central pension scheme operated by the local municipal government and Central Provident Fund Scheme, respectively. These subsidiaries are required to contributed pension, based on a certain percentage of their payroll costs, to the pension schemes. The contributions are charged to income statement as they become payable in accordance with the rules of the pension schemes.

(b) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who, in the sole discretion of the Board, have contributed or may contribute to the Group. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Segment reporting

The Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represented corporate expenses. Segment assets comprise property, plant and equipment, construction in progress, prepaid lease payment, inventories, accounts receivables, prepayments, deposits and other receivables and bank balances and cash. Segment liabilities comprise accounts payables, accrued liabilities and other payables and bank and other borrowings. Capital expenditure comprises additions to property, plant and equipment. In respect of geographical segment reporting, total assets and capital expenditure are based on where the assets are located.

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss "FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets

The Group's financial assets are classified into loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables including accounts receivables, prepayments, deposits and other receivables and bank balances and cash are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For accounts receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Impairment of financial assets – continued

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When the trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortized cost of financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Financial liabilities

Financial liabilities including accounts payables, accrued liabilities and other payables, bank and other borrowings are subsequently measured at amortized cost, using the effective interest rate method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity – continued

Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate of similar non-convertible debts. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the bonds into equity, is included in equity (equity component of convertible bonds).

In subsequent periods, the liability component of the convertible bonds is carried at amortized cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds reserve until the conversion option is exercised (in which case the balance stated in convertible bonds reserve will be transferred to premium). Where the option remains unexercised at the expiry date, the balance stated in convertible bonds reserve will be released to the retained earnings. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that related to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over that the period of the convertible bonds using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards or ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Equity-settled share-based payment transactions

Share options granted to directors, employees or other eligible participants of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss over the remaining vesting period, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to retained earnings.

The financial impact of the share options granted and fully vested before 1 July 2005 is not recorded in the Company's or the Group's financial statements until such time as the options are exercised, and no charge is recognized in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting share issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Retirement benefit costs

Payments to Mandatory Provident Fund Scheme ("MPF Scheme") and state-managed retirement benefits scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the costs of that asset. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the year in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the Company or Group;
- has an interest in the Company that gives it significant influence over the Company or Group; or
- has joint control over the Company or Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company or Group, or of any entity that is a related party of the Company or Group.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in note 3, management has made the following judgments that have significant effect on the amounts recognized in the financial statements. The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also discussed below:

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual value. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 30 June 2009, the carrying amount of goodwill is approximately HK$Nil (2008: HK$81,215,000) and impairment loss of approximately HK$31,761,000 (2008: HK$Nil) was recognized in the consolidated income statement. Details of impairment test for goodwill are set out in note 20.

Income taxes

As at 30 June 2009, no deferred tax asset was recognized in the Group's consolidated balance sheet in relation to the estimated unused tax losses of approximately HK$5,969,000 (2008: HK$20,632,000) due to the unpredictability of future profit streams. The reliability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognized in the income statement for the period in which such recognition takes place.

Share option expenses

The share option expenses are subject to the limitations of the Black-Scholes option pricing model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behavior, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model (see note 31 for the estimates).

The number of options to be vested at the end of vesting period involves management estimation. Should the number of options being vested at the end of vesting period be changed, there would be material changes in the amount of share option benefits recognized in the consolidated income statement and share option reserve.

Estimated allowance of accounts receivables

The Group makes allowance of accounts receivables based on an assessment of the recoverability of receivables. Allowance is applied to accounts receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of allowance requires the use of judgment and estimates. Where the expectation on the recoverability of accounts receivables is different from the original estimate, such difference will impact the carrying value of accounts receivables and doubtful debt expenses in the periods in which such estimate has been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. FINANCIAL INSTRUMENTS

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The capital structure of the Group consists of debt, which includes the bank and other borrowings and convertible bonds disclosed in notes 28 and 30 respectively, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 29, reserves and accumulated losses as disclosed in consolidated statements of changes in equity. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged throughout the year.

Categories of financial instruments

	2009	2008
	HK$'000	HK$'000
Financial assets		
Available-for-sales investments	**–**	–
Held-for-trading investments	**–**	–
Loans and receivables (including cash and cash equivalents)	**36,985**	79,624
Derivative financial assets	**–**	–
Financial liabilities		
Amortized cost	**350,128**	426,297
Derivative financial liabilities	**–**	–

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts receivables, prepayments, deposits and other receivables, bank balances and cash, accounts payables, accrued liabilities and other payables, bank and other borrowings and convertible bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

The Group's credit risk is primarily attributable to its accounts receivables, other receivables and bank balances. At the balance sheet date, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognized financial assets stated in the consolidated balance sheet.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Credit risk – continued

In order to minimize the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The credit risk on liquid funds is limited because the counterparties are authorized banks in the Hong Kong and the PRC.

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of its expenditure including capital expenditure in RMB. Future exchange rates of RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and supply and demand of RMB. The appreciation or devaluation of RMB against foreign currencies may have positive or negative impact on the results of operations of the Group.

As at balance sheet date, the Group has convertible bonds, certain bank balances and bank and other borrowings denominated in Singaporean dollars ("SGD"), Hong Kong dollars and United States dollars ("USD"), which are the currencies other than the functional currency of respective group entities. The carrying amounts of the Group's foreign currency denominates monetary assets and liabilities are as follows:

	Assets		**Liabilities**	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
SGD	**200**	180	**18**	17
Hong Kong Dollars	**50,557**	82,977	**346,839**	307,058
USD	**1,141**	1,575	**105**	441

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. The directors considered that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Foreign currency risk – continued

The Group uses a 5% sensitivity rate to report foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. If RMB had strengthened/weakened by 5%, loss for the year ended 30 June 2009 would have been decreased/increased by approximately HK$112,000 as a result of foreign exchange losses/gains on translation of transactions denominated in Hong Kong dollars (2008: increased/decreased by approximately HK$166,000).

Certain financial assets and liabilities of the Group are denominated in United State Dollars ("USD"). However, the exchange rate of USD against Hong Kong dollar is relative stable, accordingly, no sensitivity analysis has been presented on the currency risk.

In addition, certain financial assets and liabilities of the Group are denominated in Singaporean Dollars ("SGD"). In the opinion of the management, no sensitivity analysis has been presented on the currency risk because the amount involved is significant.

Interest rate risk

The Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. Management does not anticipate significant impact on interest-bearing assets resulted from the changes in interest rates because the interest rates of bank deposits are not expected to change significantly.

The Group's interest rate risk arises from bank and other borrowings and convertible bonds. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk. Borrowings at fixed rates expose the Group to fair value interest rate risk. Details of the Group's bank and other borrowings are set out in note 28.

The Group is also exposed to fair value interest rate risk in relation to convertible bonds. It is the Group's policy to keep its borrowings at fixed rate so as to minimize the cash flow interest rate risk.

Sensitivity analysis

At 30 June 2009, it is estimated that a general increase or decrease of 100 basis points in interest rates on Hong Kong dollars denominated borrowings, with all other variable held constant, would increase/decrease the Group's loss by approximately HK$361,000 (2008: HK$278,000). The above sensitivity analysis has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instrument in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis was performed on the same basis for 2008.

Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

Liquidity risk – continued

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay:

2009

	Carrying amounts HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demands HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000
Accounts payables	**105**	**105**	**105**	**–**	**–**	**–**
Accrued liabilities and other payables	**10,634**	**10,634**	**10,634**	**–**	**–**	**–**
Bank and other borrowings	**36,145**	**37,853**	**16,500**	**21,353**	**–**	**–**
Convertible bonds	**303,244**	**345,501**	**–**	**–**	**345,501**	**–**
	350,128	**394,093**	**27,239**	**21,353**	**345,501**	**–**

2008

	Carrying amounts HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demands HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Over 5 years HK$'000
Accounts payables	6,823	6,823	6,823	–	–	–
Accrued liabilities and other payables	19,555	19,555	19,555	–	–	–
Bank and other borrowings	125,595	142,356	11,344	71,165	42,473	17,374
Convertible bonds	274,324	351,351	–	–	351,351	–
	426,297	520,085	37,722	71,165	393,824	17,374

Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2009 and 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION

Business segments

The Group is engaged in the businesses of holding profit sharing right on oil field, distribution of edible oil, sales of gas and gas appliances, provision of gas transportation services and installation services.

During the financial year, the Board of Directors announced to dispose of gas related business and termination of profit sharing right on oil field (note 14).

Summary details of the business segments are as follows:

2009

	Continuing operation		Discontinued operations			
	Distribution of edible oil HK$'000	Total HK$'000	Gas related HK$'000	Profit sharing on oil field HK$'000	Total HK$'000	Consolidated HK$'000
Segment revenue:						
Sales to external customers	18,292	18,292	106,803	–	106,803	125,095
Segment results	11	11	10,438	(412)	10,026	10,037
Unallocated income		9			–	9
Unallocated expenses		(4,871)			(31,761)	(36,632)
Finance costs		(36,984)			(5,454)	(42,438)
Share of results of an associate		–			124	124
Loss on disposal of an associate		–			(7)	(7)
Loss before taxation		(41,835)			(27,072)	(68,907)
Income tax		–			(1,485)	(1,485)
Loss for the year		(41,835)			(28,557)	(70,392)
Segment assets	1,341	1,341	350,193	33,927	384,120	385,461
Unallocated assets		1,763			–	1,763
Total assets		3,104			384,120	387,224
Segment liabilities	122	122	123,825	–	123,825	123,947
Unallocated liabilities		46,762			–	46,762
Convertible bonds		303,244			–	303,244
Total liabilities		350,128			123,825	473,953

7. SEGMENT INFORMATION – continued

Business segments – continued

2009

	Continuing operation		Discontinued operations			
	Distribution of edible oil HK$'000	Total HK$'000	Gas related HK$'000	Profit sharing on oil field HK$'000	Total HK$'000	Consolidated HK$'000
Other segment information:						
Depreciation of property, plant and equipment	–	–	19,719	29	19,748	19,748
Unallocated amounts		17			–	17
		17			19,748	19,765
Amortisation of prepaid lease payments	–	–	466	–	466	466
Capital expenditure	–	–	33,996	–	33,996	33,996
Unallocated amounts		7			–	7
		7			33,996	34,003
Other non-cash expenses	–	–	–	31,761	31,761	31,761
Unallocated amounts		34,770			–	34,770
		34,770			31,761	66,531

7. SEGMENT INFORMATION – continued

Business segments – continued

2008

	Continuing operation		Discontinued operations			
	Distribution of edible oil	Total	Gas related	Profit sharing on oil field	Total	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:						
Sales to external customers	39,562	39,562	65,793	–	65,793	105,355
Segment results	(28)	(28)	836	(840)	(4)	(32)
Unallocated income		10			–	10
Unallocated expenses		(19,943)			(2)	(19,945)
Finance costs		(33,087)			(4,398)	(37,485)
Share of results of an associate		–			(40)	(40)
Loss on deemed disposal of a subsidiary		–			(7)	(7)
Loss before taxation		(53,048)			(4,451)	(57,499)
Income tax		(3)			415	412
Loss for the year		(53,051)			(4,036)	(57,087)
Segment assets	1,754	1,754	339,939	33,581	373,520	375,274
Unallocated assets		33,312			–	33,312
Total assets		35,066			373,520	408,586
Segment liabilities	457	457	117,157	1,672	118,829	119,286
Unallocated liabilities		32,687			–	32,687
Convertible bonds		274,324			–	274,324
Total liabilities		307,468			118,829	426,297

7. SEGMENT INFORMATION – continued

Business segments – continued

2008

	Continuing operation		Discontinued operations			
	Distribution of edible oil HK$'000	Total HK$'000	Gas related HK$'000	Profit sharing on oil field HK$'000	Total HK$'000	Consolidated HK$'000
Other segment information:						
Depreciation of property, plant and equipment	–	–	17,673	33	17,706	17,706
Unallocated amounts		13			–	13
		13			17,706	17,719
Amortisation of prepaid lease payments	–	–	461	–	461	461
Capital expenditure	–	–	12,837	2	12,839	12,839
Allowance for doubtful receivable	–	–	856	–	856	856
Other non-cash expenses						
Unallocated amounts		38,854			–	38,854

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. SEGMENT INFORMATION – continued

Geographical segments

	Revenue					
	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**–**	–	**106,803**	65,793	**106,803**	65,793
South East Asia	**18,292**	39,562	**–**	–	**18,292**	39,562
	18,292	39,562	**106,803**	65,793	**125,095**	105,355

	Segment Results					
	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
PRC	**–**	–	**10,026**	(4)	**10,026**	(4)
South East Asia	**11**	(28)	**–**	–	**11**	(28)
	11	(28)	**10,026**	(4)	**10,037**	(32)
Unallocated income	**9**	10	**–**	–	**9**	10
Unallocated expenses	**(4,871)**	(19,943)	**(31,761)**	(2)	**(36,632)**	(19,945)
Finance costs	**(36,984)**	(33,087)	**(5,454)**	(4,398)	**(42,438)**	(37,485)
Share of results of an associate	**–**	–	**124**	(40)	**124**	(40)
Loss on disposal of an associate	**–**	–	**(7)**	–	**(7)**	–
Loss on deemed disposal of a subsidiary	**–**	–	**–**	(7)	**–**	(7)
Loss before taxation	**(41,835)**	(53,048)	**(27,072)**	(4,451)	**(68,907)**	(57,499)
Income tax	**–**	(3)	**(1,485)**	415	**(1,485)**	412
Loss for the year	**(41,835)**	(53,051)	**(28,557)**	(4,036)	**(70,392)**	(57,087)

7. SEGMENT INFORMATION – continued

Geographical segments – continued

	Carrying amount of segment assets		Capital Expenditure	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC	**385,390**	373,708	**34,002**	12,839
Hong Kong	**493**	33,124	**1**	–
South East Asia	**1,341**	1,754	**–**	–
	387,224	408,586	**34,003**	12,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. REVENUE AND OTHER REVENUE

The Group is principally engaged in the businesses of distribution of edible oil, holding profit sharing right on oil field, sales of gas and gas appliances, provision of gas transportation services and installation services for gas connected.

Revenue represents invoiced value of sales, net of returns, discounts allowed or sales taxes where applicable. Revenue recognized during the year is as follows:

	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue						
Sales of goods	**18,292**	39,562	**74,906**	41,845	**93,198**	81,407
Gas transportation	**–**	–	**4,301**	2,787	**4,301**	2,787
Installation income for gas connection	**–**	–	**27,596**	21,161	**27,596**	21,161
	18,292	39,562	**106,803**	65,793	**125,095**	105,355

	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Other revenue						
Interest income	**6**	50	**605**	657	**611**	707
Rental income	**–**	–	**359**	290	**359**	290
Sundry income	**8**	–	**162**	132	**170**	132
	14	50	**1,126**	1,079	**1,140**	1,129

9. FINANCE COSTS

	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
– borrowings wholly repayable within five years	**2,214**	1,907	**–**	50	**2,214**	1,957
– borrowings wholly repayable after five years	**–**	–	**5,454**	4,348	**5,454**	4,348
– convertible bonds	**34,770**	31,180	**–**	–	**34,770**	31,180
	36,984	33,087	**5,454**	4,398	**42,438**	37,485

10. LOSS BEFORE TAXATION

	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation has been arrived at after charging (crediting):						
Staff costs (excluding directors' emoluments – note 11):						
– Wages and salaries	**770**	4,622	**6,818**	5,217	**7,588**	9,839
– Retirement benefits scheme contributions	**21**	111	**–**	–	**21**	111
Total staff costs	**791**	4,733	**6,818**	5,217	**7,609**	9,950
Cost of inventories sold (Note)	**18,246**	39,309	**80,729**	47,660	**98,975**	86,969
Auditors' remuneration						
– Provided for the year	**506**	380	**14**	12	**520**	392
– Underprovision in last year	**86**	–	**–**	–	**86**	–
Depreciation of property, plant and equipment (Note)	**17**	13	**19,748**	17,706	**19,765**	17,719
Share option expenses	**–**	7,674	**–**	–	**–**	7,674
Impairment loss on goodwill	**–**	–	**31,761**	–	**31,761**	–
Minimum lease payments under operating leases:						
– Land and buildings	**309**	643	**101**	421	**410**	1,064
Loss on disposal of property, plant and equipment	**–**	–	**3**	–	**3**	–
Allowance for doubtful receivable	**–**	–	**–**	856	**–**	856
Amortization of prepaid lease payments	**–**	–	**466**	461	**466**	461
Loss on disposal of an associate	**–**	–	**7**	–	**7**	–
Loss on deemed disposal of a subsidiary	**–**	–	**–**	7	**–**	7
Exchange (gains) losses, net	**(63)**	120	**–**	–	**(63)**	120

Note: Included in the depreciation of approximately HK$19,765,000 (2008: HK$17,719,000) was an amount of approximately HK$14,990,000 (2008: HK$10,533,000) capitalized in cost of inventories sold during the year. The amount of approximately HK$14,990,000 (2008: HK$10,533,000) was included in cost of inventories sold of approximately HK$98,975,000 (2008: HK$86,969,000).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payable to each of the 8 (2008: 7) directors of the Company during the year were as follows:

For the year ended 30 June 2009

	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive Directors:				
Cheung Kwai Lan	24	–	–	24
Chan Ting	24	–	1	25
Fung King Him Daniel	24	882	12	918
Independent Non-executive Directors:				
Tian He Nian	78	–	–	78
Zou Qi Jun (Note 1)	63	–	–	63
Zhao Zhi Ming (Note 2)	78	–	–	78
Zhang Xiu Fu	120	–	–	120
To Yan Ming Edmond	47	–	–	47
	458	882	13	1,353

Note 1: Mr. Zou Qi Jun was appointed as an Independent Non-executive Director on 9 September 2008.

Note 2: Mr. Zhao Zhi Ming resigned on 30 June 2009.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(a) Directors' emoluments – continued

For the year ended 30 June 2008

	Fees HK$'000	Salaries and other emoluments HK$'000	Contribution to retirement benefits scheme HK$'000	Total HK$'000
Executive Directors:				
Cheung Kwai Lan	24	2,400	–	2,424
Chan Ting	24	1,600	9	1,633
Fung King Him Daniel	24	626	12	662
Independent Non-executive Directors:				
Tian He Nian	39	–	–	39
Zhao Zhi Ming	39	–	–	39
Zhang Xiu Fu	90	–	–	90
To Yan Ming Edmond	47	–	–	47
	287	4,626	21	4,934

(b) Senior management emoluments

Of the five individuals whose emoluments were the highest in the Group for the year include 3 (2008: 3) directors whose emoluments are set out in the above. The emoluments payable to the remaining 2 (2008: 2) individuals during the year as follows:

	2009 HK$'000	2008 HK$'000
Salaries, allowances and other benefits	**746**	2,146
Contributions to retirement benefits scheme	**20**	19
	766	2,165

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS – continued

(b) Senior management emoluments – continued

The emoluments fell with the following bands:

	No. of individuals 2009	2008
Emoluments bands		
Nil – HK$1,000,000	**2**	1
HK$1,000,001 – HK$2,000,000	**–**	1

During the year ended 30 June 2009, no emoluments have been paid by the Group to the non-Directors and the highest paid individuals as an inducement to join the Group, or as compensation for loss of office (2008: Nil).

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Wages and salaries	**2,110**	9,535	**6,818**	5,217	**8,928**	14,752
Retirement benefits scheme contributions	**34**	132	**–**	–	**34**	132
Total staff costs	**2,144**	9,667	**6,818**	5,217	**8,962**	14,884

13. INCOME TAX

The amount of tax charged (credited) to the consolidated income statement represents:

	Continuing operation		Discontinued operations		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Overseas income tax:						
– Charged for the year	**–**	3	**1,485**	1,953	**1,485**	1,956
– Overprovision in prior years	**–**	–	**–**	(2,368)	**–**	(2,368)
Total tax charged (credited) for the year	**–**	3	**1,485**	(415)	**1,485**	(412)

13. INCOME TAX – continued

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group had no assessable profit derived in Hong Kong for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain PRC jointly controlled entities of the Company are exempted from PRC Enterprise Income Tax for the first two years commencing from their first profit making year of operation and thereafter, these PRC entities will be entitled to a 50% relief from PRC for the following three years ("Tax Preference").

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changes the PRC Enterprise Income Tax rate to 25% and will affect the PRC group entitles of the Company from 1 January 2008.

Entities that originally enjoy the Tax Preference can continue enjoying the Tax Preference based on the original tax rate until after the expiration of the tax preference. Entities that did not start Tax Preference before 2008 because they were still in loss position shall start the Tax Preference from 2008.

The amount of income tax expenses charged (credited) to the consolidated income statement reconciled to the loss per consolidated income statement is as follows:

	2009 **HK$'000**	2008 HK$'000
Loss before taxation :		
Continuing operation	**(41,835)**	(53,048)
Discontinuing operations	**(27,072)**	(4,451)
	(68,907)	(57,499)
Tax at the Hong Kong Profits Tax rate	**(11,370)**	(10,062)
Tax effect of expenses that are not deductible for tax purposes	**12,129**	6,812
Tax effect of income that is not taxable for tax purposes	**(2)**	(1,659)
Tax effect of tax losses not recognized	**3,162**	7,356
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(2,434)**	(491)
Tax effect of overprovision in prior years	**–**	(2,368)
Income tax expenses (credit)	**1,485**	(412)

Note: The applicable tax rate for Hong Kong is 16.5% (2008: 17.5%) and applicable tax rate in the PRC is 25% (2008: 25-33%).

13. INCOME TAX – continued

The components of unrecognized deductible (taxable) temporary differences at the balance sheet date are as follows:

	2009 HK$'000	2008 HK$'000
Deductible temporary differences:		
Unutilized tax losses	**5,969**	20,632
Taxable temporary differences:		
Accelerated tax allowances	**–**	(2)
	5,969	20,630

At the balance sheet date, the Group have unused tax losses of approximately HK$5,969,000 (2008: HK$20,632,000) available for offset against future profits. No deferred tax asset has been recognized in respect of the unused tax losses due to the uncertainty of future profits streams. Deductible temporary differences have not been recognized in these financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. Included in unrecognized estimated tax losses are losses of approximately HK$566,000 (2008: HK$15,229,000) that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

14. DISCONTINUED OPERATIONS

On 24 April 2009, the Group entered into agreements relating to the termination of the Profit Sharing Rights for return of monies provided to China Huayou Group Corporation and compensatory interest for an amount of approximately RMB39,856,000 (approximately HK$45,226,000) and the disposals by Aptus of the equity interest in Changde Joint Venture and Hunan Joint Venture for the consideration of approximately RMB255,000,000 (approximately HK$289,350,000) and approximately RMB100,144,000 (approximately HK$113,634,000) respectively. Details of the assets and liabilities disposed of are disclosed in note 15.

14. DISCONTINUED OPERATIONS – continued

The combined results and cash flows of the discontinued operations (i.e. the oilfield sharing right and the gas related business) included in the consolidated income statement and the consolidated cash flow statement are set out below:

	2009 HK$'000	2008 HK$'000
Loss for the year from discontinued operations		
Revenue and other revenue	**107,929**	66,872
Expenses	**(135,001)**	(71,323)
Loss before taxation	**(27,072)**	(4,451)
Income tax	**(1,485)**	415
Loss for the year from discontinued operations	**(28,557)**	(4,036)
Cash flows from discontinued operations		
Net cash inflows from operating activities	**22,925**	18,871
Net cash outflows from investing activities	**(27,686)**	(29,659)
Net cash inflows (outflows) from financing activities	**6,355**	(5,009)
Net cash inflows (outflows)	**1,594**	(15,797)

15. NON-CURRENT ASSETS HELD FOR SALE

	2009 HK$'000
Assets related to the gas related business classified as held for sale	**350,193**
Liabilities of the gas related business associated with assets classified as held for sale	**123,825**
Net assets of the gas related business classified as held for sale	**226,368**
Reserve of the gas related business classified as held for sale	**19,990**

15. NON-CURRENT ASSETS HELD FOR SALE – continued

Note: The Group has entered into an agreement to dispose of its gas related business. The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date are as follows:

	2009 HK$'000
Property, plant and equipment (Note)	231,819
Construction in progress	2,877
Goodwill	49,454
Prepaid lease payments	15,775
Prepayments, deposits and other receivables	8,513
Accounts receivables	1,181
Inventories	1,714
Bank balances and cash	38,860
Assets related to the gas related business classified as held for sale	350,193
Accounts payables	4,713
Accrued liabilities and other payables	8,900
Tax liabilities	1,503
Bank and other borrowings (Note)	108,709
Liabilities of the gas related business associated with assets classified as held for sale	123,825
Net assets of the gas related business classified as held for sale	226,368
Reserve of the gas related business classified as held for sale	19,990

Note : Included in property, plant and equipment, gas distribution network having a carrying amount of approximately HK$117,278,000 has been pledged against bank borrowings granted to the gas related business.

In addition, leasehold buildings included in property, plant and equipment are located in the People's Republic of China and held under medium term lease.

Borrowings of approximately HK$15,105,000 is secured by corporate guarantee from a shareholder of a jointly controlled entity, interest charged at 2.55% per annum and has fixed repayment term. Borrowing of approximately HK$59,907,000 is secured by gas network of a jointly controlled entity, interest charged at 5.508%-5.751% per annum and have fixed repayment term.

Borrowing of approximately HK$33,697,000 is unsecured, interest charge at 4.779%-5.67% per annum and has fixed repayment term. The Disposal Group has pledged gas distribution network having a carrying amount of approximately HK$117,278,000 to secure bank borrowings granted to the Disposal Group.

16. LOSS PER SHARE

From continuing and discontinued operations

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:

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to the equity holders of the Company	**(70,214)**	(56,843)

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,760,441**	1,706,834

From continuing operation

The calculation of the basic and diluted loss per share from continuing operation attributable to the equity holders of the Company:

	2009 HK$'000	2008 HK$'000
Loss for the year attributable to the equity holders of the Company	**(70,214)**	(56,843)
Less: Loss for the year attributable to the equity holders of the Company from discontinued operations	**(28,557)**	(4,036)
Loss for the purpose of basic loss per share from continuing operation	**(41,657)**	(52,807)

Number of shares

	'000	'000
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,760,441**	1,706,834

From discontinued operations

Basic loss per share for the discontinued operations is HK1.62 cents per share (2008: HK0.24 cent per share) based on the loss for the year from discontinued operations of approximately HK$28,557,000 (2008: HK$4,036,000) and the denominators used are the same as those detailed above for basic loss per share.

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

17. DIVIDENDS

No dividend was paid or proposed during the year ended 30 June 2009, nor has any dividend been proposed since the balance sheet date (2008: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Computer equipment HK$'000	Office equipment HK$'000	Gas distribution network HK$'000	Motor vehicles HK$'000	Gas storage equipment HK$'000	Other equipment HK$'000	Leasehold buildings HK$'000	Total HK$'000
COST									
At 1 July 2007	39	154	6	157,374	2,785	10,041	5,619	11,347	187,365
Transferred from construction in progress	–	–	–	15,022	–	–	9,089	1,520	25,631
Additions	–	–	2	9,637	302	–	471	254	10,666
Deemed disposal of a subsidiary	–	–	–	(1,818)	(54)	(160)	(17)	(50)	(2,099)
Exchange realignment	5	49	2	16,602	291	1,055	601	1,206	19,811
At 30 June 2008 and at 1 July 2008	44	203	10	196,817	3,324	10,936	15,763	14,277	241,374
Transferred from construction in progress	–	–	–	20,592	–	–	5,783	640	27,015
Additions	–	7	–	6,133	680	3	165	–	6,988
Disposal for the year	–	–	–	–	–	–	(35)	–	(35)
Exchange realignment	–	–	–	(370)	(6)	(20)	(33)	(27)	(456)
Reclassified as held for sale	–	–	–	(223,172)	(3,998)	(10,919)	(21,643)	(14,890)	(274,622)
At 30 June 2009	**44**	**210**	**10**	**–**	**–**	**–**	**–**	**–**	**264**
DEPRECIATION									
At 1 July 2007	18	59	2	3,332	135	280	226	173	4,225
Charged for the year	8	36	2	14,640	485	1,122	1,035	391	17,719
Deemed disposal of a subsidiary	–	–	–	(43)	(3)	(8)	(2)	(1)	(57)
Exchange realignment	5	42	1	1,175	41	92	85	40	1,481
At 30 June 2008 and at 1 July 2008	31	137	5	19,104	658	1,486	1,344	603	23,368
Charged for the year	8	37	1	16,147	446	776	1,823	527	19,765
Disposal for the year	–	–	–	–	–	–	(32)	–	(32)
Exchange realignment	–	–	–	(63)	(2)	(4)	(8)	(2)	(79)
Reclassified as held for sale	–	–	–	(35,188)	(1,102)	(2,258)	(3,127)	(1,128)	(42,803)
At 30 June 2009	**39**	**174**	**6**	**–**	**–**	**–**	**–**	**–**	**219**
NET BOOK VALUES									
At 30 June 2009	**5**	**36**	**4**	**–**	**–**	**–**	**–**	**–**	**45**
At 30 June 2008	13	66	5	177,713	2,666	9,450	14,419	13,674	218,006

18. PROPERTY, PLANT AND EQUIPMENT – continued

Depreciation provided for the year within the Group after reclassified as held for sale included HK$29,000 from discontinued operations expenses.

At 30 June 2009, none of the Group's property, plant and equipment was held under finance lease (2008: HK$Nil).

19. INTEREST IN AN ASSOCIATE

	2009	2008
	HK$'000	HK$'000
Cost of investment in an associate	**1,889**	1,744
Share of result of an associate	**124**	(40)
Disposal	**(2,013)**	–
Exchange realignment	**–**	185
At 30 June	**–**	1,889

The Group has interest in the following associate:

Name of entity	Form of business structure	Place of registration/ incorporation	Principal place of operation	Class of capital	Proportion of nominal value of registered/ Issued capital held by the Group 2009 %	2008 %	Principal activities
Linli Huayou Gas Co., Limited 臨澧華油燃氣有限公司	Limited liability company	PRC	PRC	Registered	–	23.49%	Distribution of natural gas

Note: In year 2008, Linli Huayou Gas Co., Limited ("Linli") is a subsidiary of a jointly controlled entity, Changde Huayou Gas Co., Limited ("Changde Joint Venture") of Aptus Holdings Limited, which holds 70% registered capital of Linli. Due to the change in share structure of Linli, shareholding held by Changde Joint Venture was decreased to 48.61% and Linli became an associate of the Group. Equity interest in Linli was disposed in November 2008.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. INTEREST IN AN ASSOCIATE – continued

Summarized financial information in respect of the Group's associate is set out below:

	1 July 2008 To date of disposal HK$'000	2008 HK$'000
Total assets	**9,542**	9,003
Total liabilities	**(973)**	(961)
Net assets	**8,569**	8,042
The Group's share of an associate's net assets	**2,013**	1,889
Revenue	**1,719**	2,838
Profit (Loss) for the year	**526**	(170)
The Group's share of result of an associate	**124**	(40)

In November 2008, Changde Joint Venture disposed its equity interest in Linli, at a consideration of RMB3,650,000.

Loss on disposal of an associate of approximately HK$7,000 was shared by the Group. Up to the date of disposal of Linli, the Group shared Linli's profit of approximately HK$124,000 for the year ended 30 June 2009.

20. GOODWILL

	HK$'000
COST	
At 1 July 2007, 30 June 2008 and at 1 July 2008	84,576
Reclassified as held for sale	(49,454)
At 30 June 2009	**35,122**
IMPAIRMENT	
At 1 July 2007, 30 June 2008 and at 1 July 2008	3,361
Impairment loss recognized for the year	31,761
At 30 June 2009	**35,122**
CARRYING VALUES	
At 30 June 2009	**–**
At 30 June 2008	81,215

20. GOODWILL – continued

The Group tests goodwill annually for impairment in the financial year in which the acquisition takes place, or more frequently if there is indications that goodwill might be impaired.

During the year ended 30 June 2009, the Group recognized an impairment loss of approximately HK$31,761,000 (2008: HK$Nil) in relation to goodwill arising on acquisition of subsidiary, CNPC Huayou Cu Energy Investment Co. Limited due to the termination of profits sharing right on oilfield and the carrying amount would over the recoverable amount in the future. In addition, goodwill of approximately HK$49,454,000 was reclassified to non-current assets held for sale (note 15).

21. CONSTRUCTION IN PROGRESS

	2009	2008
	HK$'000	HK$'000
At 1 July	**6,912**	14,004
Additions	**22,994**	17,249
Deemed disposal of a subsidiary	**–**	(184)
Transferred to property, plant and equipment	**(27,015)**	(25,631)
Exchange realignment	**(14)**	1,474
Reclassified to held for sale	**(2,877)**	–
At 30 June	**–**	6,912

22. PREPAID LEASE PAYMENTS

	2009	2008
	HK$'000	HK$'000
At 1 July	**15,954**	12,876
Additions	**316**	2,191
Exchange realignment	**(29)**	1,348
	16,241	16,415
Less: Charged to consolidated income statement for the year	**(466)**	(461)
Reclassified to held for sale	**(15,775)**	–
At 30 June	**–**	15,954
Analysis for reporting purposes:		
Non-current portion	**–**	15,502
Current portion	**–**	452
At 30 June	**–**	15,954

The amount represented medium-term land use rights situated in the PRC and premises under operating leases in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. INVENTORIES

	2009 HK$'000	2008 HK$'000
Construction materials	–	2,197
Finished goods and natural gas	–	2,109
At 30 June	–	4,306

24. ACCOUNTS RECEIVABLES

Accounts receivables, which generally have credit terms of not more than 180 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.

	2009 HK$'000	2008 HK$'000
Trade receivables	–	1,466
Less: Allowance for doubtful receivable	–	(856)
	–	610

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

	2009 HK$'000	2008 HK$'000
Current to 90 days	–	489
91-180 days	–	–
Over 180 days	–	977
	–	1,466

The accounts receivables with carrying amount of HK$Nil (2008: HK$489,000) are neither past due nor impaired at the reporting date.

The Group has policies for allowances of bad and doubtful receivable which are based on the evaluation of collectibility and age analysis of accounts and on the management's judgement including the credit creditworthlness, collaterals and the past collection history of each customer.

During the year ended 30 June 2009, the Group made an allowance of HK$Nil (2008: HK$856,000) in respect of trade receivables, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date. The directors considered the related receivables may be impaired and specified allowance is made.

24. ACCOUNTS RECEIVABLES – continued

Movement in the allowance for bad and doubtful debts:

	2009	2008
	HK$'000	HK$'000
Balance at the beginning of the year	**856**	–
Charge for the year	**–**	856
Amount recovered during the year	**(100)**	–
Exchange adjustments	**46**	–
Reclassified as parts of disposal group of asset held for sale	**(802)**	–
Balance at the end of the year	**–**	856

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. The trade receivables past due but not provided for were either subsequently settled as at the date of this report or no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for bad and doubtful debts.

Included in the Group's accounts receivables with a carrying amount of HK$Nil (2008: HK$121,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amount are still considered recoverable. The Group does not hold any collateral over these balances.

The fair value of the Group's accounts receivables as at 30 June 2009 approximates to the corresponding carrying amount.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables are prepayments from discontinued operations for the drilling operation of Xin Jiang Oilfield in the PRC of approximately HK$34 million (2008: HK$34 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. BANK BALANCES AND CASH

	2009 HK$'000	2008 HK$'000
Cash and bank deposits denominated in:		
Hong Kong dollar	**610**	1,504
Renminbi	**39**	37,370
United States dollar	**1,141**	1,575
Singaporean dollar	**200**	180
	1,990	40,629

Included in the balance was approximately HK$39,000 (2008: HK$37,370,000), representing bank deposits denominated in Renminbi placed with banks in the PRC by the Group. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

27. ACCOUNTS PAYABLES

	2009 HK$'000	2008 HK$'000
Trade payables	**105**	6,823

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:

	2009 HK$'000	2008 HK$'000
Within 90 days	**–**	219
Over 90 days	**105**	6,604
	105	6,823

The fair value of the Group's accounts payables as at 30 June 2009 approximates to the corresponding carrying amount.

28. BANK AND OTHER BORROWINGS

	2009	2008
	HK$'000	HK$'000
Bank loans	**–**	80,276
Other borrowings	**36,145**	45,319
	36,145	125,595

	2009	2008
	HK$'000	HK$'000
Secured loans (note a)	**16,500**	93,994
Unsecured loans (note b)	**19,645**	31,601
	36,145	125,595

(a) Borrowings of approximately HK$16,500,000 is interest bearing at 2-3% over prime rate, secured by corporate guarantee from China Vanguard, the ultimate holding company of the Company, and repayable in next twelve months.

(b) Borrowings of approximately HK$19,645,000 is unsecured, bears interest at prime rate and not repayable in next twelve months.

Bank and other borrowings of approximately HK$108,709,000 were reclassified to liabilities of the gas related business associated with assets classified as held for sale.

Borrowings are repayable as follows:

	2009	2008
	HK$'000	HK$'000
On demand or within one year	**16,500**	11,344
In more than one year but not more than two years	**19,645**	63,704
In more than two years but not more than five years	**–**	40,054
Over five years	**–**	10,493
	36,145	125,595
Less: Amount shown under non-current liabilities	**(19,645)**	(114,251)
Amount shown under current liabilities	**16,500**	11,344

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. BANK AND OTHER BORROWINGS – continued

The details of the Group's borrowings which are denominated in foreign currencies are set out below:

	RMB HK$'000 equivalent
At 30 June 2009	**–**
At 30 June 2008	97,750

29. SHARE CAPITAL

	Note	**Number of shares**	HK$'000
Authorized:			
At 1 July 2007, 30 June 2008 and 30 June 2009 shares of HK$0.01 each		20,000,000,000	200,000
Issued and fully paid:			
At 1 July 2007		1,697,881,428	16,979
Shares issued on exercise of options		46,510,000	465
At 30 June 2008 and at 1 July 2008		1,744,391,428	17,444
Shares issued on exercise of options	(i)	18,450,000	184
At 30 June 2009		**1,762,841,428**	**17,628**

Changes in the share capital of the Company during the year ended 30 June 2009 were as follows:

(i) The Company allotted and issued 18,450,000 shares of HK$0.01 each for cash at the exercise prices of HK$0.1006 per share, as a result of the exercise of share options.

30. CONVERTIBLE BONDS

On 22 November 2006, the Company issued convertible bonds due on 21 November 2011 with a principal amount of HK$234 million, which is with a gross yield at 11% per annum, calculated in a semi-annual basis. The convertible bonds were issued for the purpose of the acquisition of a 48.33% equity interest in the Changde Joint Venture, 33% equity interest in the Hunan Joint Venture and general working purposes.

On 28 August 2009, the Company and Evolution, the sole beneficial owner have entered into a deed of undertaking as follows:

(a) in consideration of the undertaking given by the Company referred to in paragraph (b) below, Evolution irrevocably and unconditionally undertakes to the Company that it will not exercise its conversion right under the convertible bonds; and

(b) in consideration of the undertaking given by Evolution referred to in paragraph (a) above, the Company irrevocably and unconditionally undertakes to Evolution that when the Redemption Amount is Available for Redemption, it will be applied to redeem the convertible bonds.

On each of 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 bondholder(s) 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.

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 Directors had assessed the fair values of the early redemption rights and considered the fair value is insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. CONVERTIBLE BONDS – continued

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

	2009 **HK$'000**	2008 HK$'000
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
Interest paid	**(5,850)**	–
Imputed finance cost	**85,806**	51,036
Non-current liability component as at the balance sheet date	**303,244**	274,324

For details, please refer to the joint announcement of the Company and China Vanguard dated 9 November 2006, 23 October 2008, 7 January 2009 and 28 August 2009.

31. 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.

31. SHARE OPTION SCHEME – continued

The maximum number of unexercised Options currently permitted to be granted under the Scheme is an amount equivalent to, upon their exercise, 10% of the shares of the Company in issue as at the date of the approval of the Scheme or the date of the general meeting for refreshing the 10% limit under the scheme. The limit on the number of shares which may be issued upon exercise of all outstanding options granted under the Scheme must not exceed 30% of the shares of the Company in issue from time to time. The maximum number of shares issuable under the Scheme to each eligible participant in the Scheme within any 12-month period is limited to 1% of the number of shares of the Company in issue at any time.

The offer of a grant of the Options may be accepted in writing within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the Options granted is determined by the board of directors, and shall not be more than ten years from the date of the grant of the Options. The Scheme does not require a minimum period for which the Options must be held nor a performance target which must be achieved before the Options can be exercised.

The subscription price will be determined by the board of directors, but may not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of grant of the Options; (ii) the average of the closing prices of the Company's shares on the Stock Exchange for the five trading days immediately preceding the date of grant of the Options; and (iii) the nominal value of the Company's shares on the date of offer.

During the year, no Options were granted to certain eligible participants and 18,450,000 (2008: 46,510,000) Options, which were granted in previous years have been exercised.

Details of movements in the Options of Scheme held by eligible participants are as follows:

2009 Eligible participants	Date of grant	Exercise price* HK$	Outstanding at 1/7/2008	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30/6/2009	Exercise period of Options
	1/11/2004	0.1006	20,525,000	–	–	(18,450,000)	2,075,000	1/11/2004 to 30/10/2009
	30/9/2004	0.147	6,070,000	–	–	–	6,070,000	30/9/2004 to 29/9/2009
	10/9/2004	0.08	10,525,000	–	–	–	10,525,000	10/9/2004 to 9/9/2009
			37,120,000	–	–	(18,450,000)	18,670,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. SHARE OPTION SCHEME – continued

2008 Eligible participants	Date of grant	Exercise price* HK$	Outstanding at 1/7/2007	Granted during the year	Lapsed/ cancelled during the year	Exercised during the year	Outstanding at 30/6/2008	Exercise period of Options
	20/3/2006	2.54	125,030,000	–	(125,030,000)	–	–	20/3/2006 to 19/3/2008
	1/11/2004	0.1006	60,075,000	–	–	(39,550,000)	20,525,000	1/11/2004 to 30/10/2009
	30/9/2004	0.147	6,370,000	–	–	(300,000)	6,070,000	30/9/2004 to 29/9/2009
	10/9/2004	0.08	17,185,000	–	–	(6,660,000)	10,525,000	10/9/2004 to 9/9/2009
			208,660,000	–	(125,030,000)	(46,510,000)	37,120,000	

* The exercise price of the Options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The exercise in full of the Options would, under the present capital structure of the Company, result in the issue of 18,450,000 additional ordinary shares of the Company at additional share capital of HK$184,500 and share premium of HK$1,671,570 (before issue expenses).

At 30 June 2009, the number of shares in respect of which Options had been granted and remained outstanding under the scheme was 1.06% (2008: 2.13%) of the shares of the Company in issue at that date.

During the year ended 30 June 2006, options were granted on 20 March 2006. The closing price of the Company's shares on 20 March 2006 was HK$2.60. The estimated fair value of the options granted on is approximately HK$85,800,000.

These fair values were calculated by using the Black-Scholes pricing model. The inputs into the model were as follows:

Share price on grant date	HK$2.60
Exercise price	HK$2.54
Expected volatility	57.63%
Expected life	2 years
Risk-free rate	4%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects on non transferability, exercise restrictions and behavioral considerations.

31. SHARE OPTION SCHEME – continued

The risk-free interest rate represents the yields to maturity of respective Hong Kong Exchange Fund Note as at 20 March 2006.

The Group recognized the total expenses of approximately HK$Nil for the year ended 30 June 2009 (2008: HK$7,674,000) in relation to Options granted by the Company.

At the date of approval of these financial statements, the Company has 1,620,000 Options outstanding under the Scheme, which represented approximately 0.09% of the Company's shares in issue at that date.

32. NOTE TO CASH FLOW STATEMENT

Deemed disposal of a subsidiary

For year ended 30 June 2008, Linli Huayou Gas Co., Limited ("Linli") is a subsidiary of a jointly controlled entity, Changde Huayou Gas Co., Limited ("Changde Huayou") of Aptus Holdings Limited, which holds 70% registered capital of Linli. Due to the change in share structure of Linli, shareholding held by Changde Huayou decreased to 48.61% and Linli became an associate of the Group. Loss arisen on deemed disposal of equity interest in Linli was approximately of HK$7,000.

	Linli HK$'000
Property, plant and equipment	2,042
Accounts receivables	23
Prepayments, deposits and other receivables	4
Inventories	146
Construction in progress	184
Bank balances and cash	208
Accounts payables	(36)
Accrued liabilities and other payables	(71)
Net assets	2,500
Less: Minority interests	(737)
Less: Released of translation reserve	(12)
Net amount of assets disposed of	1,751
Loss on disposal	(7)
Represented by investment in an associate at the date of deemed disposal	1,744
Net cash outflow arising on deemed disposal:	
Bank balances and cash disposed of	208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33. PARTICULARS OF SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 30 June 2009 are as follows:

Name	Place of incorporation and operations	Nominal value of issued and paid-up share	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Good United Management Limited	British Virgin Islands	Ordinary US$1	100%	–	Investment holding
Top Entrepreneur Profits Limited	British Virgin Islands	Ordinary US$200	75%	–	Investment holding
B & B Natural Products (BVI) Limited	British Virgin Islands	Ordinary US$1	–	75%	Investment holding
Rapid Progress Profits Limited	British Virgin Islands	Ordinary US$8	–	56.25%	Investment holding
Hsing Long Trading Co. Pte. Ltd.	Singapore	Ordinary SGD100,000	–	70.31%	Distribution of edible oil
CNPC Huayou Cu Energy Investment Co. Limited	People's Republic of China ("PRC")	Registered capital of RMB100,000,000	–	70%	Holding of profit sharing right of Xin Jiang Oilfield

34. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At 30 June 2009, the Group had interests in the following significant jointly controlled entities:

Name	Form of business structure	Place of establishment and operations	Class of capital	Proportion of nominal value of registered capital held by the Group %	Principal activities
Changde Huayou Gas Co., Limited 常德華油燃氣有限公司	Sino-foreign equity joint venture	PRC	Registered	48.33%	Development and management of natural gas pipelines and distribution facilities in PRC
Hunan Huayou Natural Gas Transportation and Distribution Company Limited 湖南華油天然氣輸配有限責任公司	Sino-foreign equity joint venture	PRC	Registered	33%	Construction and development of natural gas pipelines and related consultation services

34. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – continued

Note:

The Group holds 48.33% of the issued capital of Changde Joint Venture and 33% of the issued capital of Hunan Joint Venture. Pursuant to the shareholder's agreement in relation to the acquisition of Changde Joint Venture and Hunan Joint Venture, each shareholder has a veto right relating to certain financial and operating decisions, and is therefore considered as having joint control over Changde Joint Venture and Hunan Joint Venture.

The following amounts represent the Group's proportionate share of the assets, liabilities, revenue and expenses of the jointly controlled entities and are included in the consolidated balance sheet and consolidated income statements as a result of proportionate consolidation:

	2009 **HK$'000**	2008 HK$'000
Current assets	**300,739**	48,263
Non-current assets	**–**	242,223
Current liabilities	**123,825**	30,750
Non-current liabilities	**–**	86,407

	2009 **HK$'000**	2008 HK$'000
Revenue	**106,803**	65,793
Expenses	**(103,187)**	(68,990)
Profit (Loss) for the year	**3,616**	(3,197)

35. BANKING FACILITIES

As at 30 June 2009, the Group's banking facilities from discontinued operations which consisted mainly of secured bank loans of approximately HK$59,907,000 (2008: HK$60,020,000) and unsecured bank loan of approximately HK$33,697,000 (2008: HK$20,256,000). Banking facilities was secured by certain gas network of a jointly controlled entity and unconditional irrecoverable corporate guarantees.

The Group did not have any banking facilities for its continuing operation.

36. OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 30 June 2009, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	2009 HK$'000	2008 HK$'000
Continuing operation		
Within one year	**31**	26
Discontinued operations		
Within one year	**10**	19
Two to five years	**14**	7
Over five years	**3**	–
	27	26

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

The Group as lessor

As at 30 June 2009, the Group had contracted with tenants for the following minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2009 HK$'000	2008 HK$'000
Discontinued operations		
Within one year	**520**	314
Two to five years	**1,631**	263
Over five years	**2,106**	–
	4,257	577

Leases are negotiated for an average term of 2 to 10 years.

The Group did not have any lease arrangements from continuing operation.

37. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Continuing operation		
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	**44,137**	44,220

38. MAJOR NON-CASH TRANSACTIONS

(a) During the year, the Group incurred imputed interest on convertible bonds of approximately HK$34,770,000 (2008: HK$31,180,000).

(b) An impairment of goodwill of approximately HK$31,761,000 (2008: HK$Nil) was provided in the consolidated income statement for the year ended 30 June 2009.

(c) Share option expenses of approximately HK$Nil (2008: HK$7,674,000) was provided in the consolidated income statement.

39. CONTINGENT LIABILITIES

At 30 June 2009, the Group did not have any significant contingent liabilities (2008: Nil).

40. RETIREMENT BENEFITS SCHEME

With the introduction of Mandatory Provident Fund Scheme (the "MPF Scheme") in December 2000 in Hong Kong, the Group has arranged its employees in Hong Kong to join the MPF Scheme. The retirement benefits scheme contributions charged to the income statements represents contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

The total costs charged to the consolidated income statement of approximately HK$34,000 (2008: HK$132,000) represent contributions payable to the MPF Scheme in respect of the current accounting period.

The employees of the Group's subsidiary that operated in the People's Republic of China and Singapore are required to participate in a central pension scheme operated by the local municipal government and Central Provident Fund Scheme, respectively. These subsidiaries are required to contribute pension, based on a certain percentage of their payroll costs, to the pension schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is obliged to make lump sum payments on cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

No significant provision for long service payments was made on 30 June 2009 (2008: HK$Nil).

42. SHARE AWARD SCHEME

On 13 October 2004, the Company adopted a share award scheme for employees and consultants, excluding Executive Directors and chief executives, of the Group for the purpose of recognizing the contributions of certain employees and consultants of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate them and give an incentive to these persons to continue to contribute to the Group's long term success and prosperity. No shares were granted under the share award scheme since its adoption on 13 October 2004 and up to the date of this report.

43. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

	2009	2008
	HK$'000	HK$'000
Short-term benefits	**1,917**	8,344
Post-employment benefits	**25**	76
	1,942	8,420

44. PLEDGED ASSETS

As at 30 June 2009, the 100% of the issued share capital of Good United Management Limited ("GUM"), a wholly-owned subsidiary of the Company, was pledged in favors 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$59,907,000 (2008: HK$60,020,000) has been secured by gas network of a jointly controlled entity, Hunan Joint Venture.

45. POST BALANCE SHEET EVENT

An extraordinary general meeting was held on 10 July 2009, which the Company's shareholders had approved the disposals of the equity interests in the Changde Joint Venture and Hunan Joint Venture for the consideration of approximately RMB255,000,000 (approximately HK$289,323,000) and approximately RMB100,144,000 (approximately HK$113,623,000) respectively and CNPC Energy entered into agreements terminating the Profits Sharing Rights for an amount of approximately RMB39,856,000 (approximately HK$45,221,000). The disposals of the equity interests in the Changde Joint Venture and Hunan Joint Venture were completed on 10 September 2009 and 11 September 2009 respectively.

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

FINANCIAL SUMMARY

RESULTS

		Year ended 30 June			Period from 1 October 2004 to 30 June
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**125,095**	105,355	57,655	30,820	67,190
Cost of sales	**(98,975)**	(86,969)	(54,140)	(29,963)	(64,992)
Gross profit	**26,120**	18,386	3,515	857	2,198
Other revenue	**1,140**	1,129	310	64	271
Selling and distribution costs	**–**	(13,598)	(3,254)	(420)	(1,689)
Administrative expenses	**(53,846)**	(25,884)	(86,810)	(40,085)	(7,337)
Finance costs	**(42,438)**	(37,485)	(24,396)	(1,438)	(30)
Gain on disposal of subsidiaries	**–**	–	–	–	2,842
Loss on deemed disposal of a subsidiary	**–**	(7)	–	–	–
Loss on disposal of an associate	**(7)**	–	–	–	–
Share of result of an associate	**124**	(40)	–	–	–
Loss before taxation	**(68,907)**	(57,499)	(110,635)	(41,022)	(3,745)
Income tax	**(1,485)**	412	(464)	(14)	–
Loss for the year/period	**(70,392)**	(57,087)	(111,099)	(41,036)	(3,745)

ASSETS AND LIABILITIES

	At 30 June				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**387,224**	408,586	379,658	76,985	24,091
Total liabilities	**(473,953)**	(426,297)	(371,854)	(33,488)	(11,129)
	(86,729)	(17,711)	7,804	43,497	12,962
Equity attributable to equity holders of the Company	**(101,784)**	(32,989)	(7,508)	29,424	12,854
Minority interests	**15,055**	15,278	15,312	14,073	108
	(86,729)	(17,711)	7,804	43,497	12,962