



# 鼎洋投資有限公司\*

## APEX CAPITAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 905



Interim Report **2006**

\* For identification purpose only

The Board of Directors (the “Board”) of Apex Capital Limited (the “Company”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June, 2006 (the “Review Period”) as follows:

## Condensed Consolidated Income Statement

For the six months ended 30 June, 2006

	Notes	Six months ended 30 June,	
		2006 HK\$'000 (unaudited)	2005 HK\$'000 (unaudited)
<b>Revenue</b>	2	11	67
Other income		50	283
Administrative expenses		(1,688)	(1,695)
Other operating expenses		—	(33)
Impairment loss recognised in respect of available-for-sale financial assets		(1,855)	—
<b>Loss from operations</b>	4	(3,482)	(1,378)
Finance costs		(67)	(10)
<b>Loss before income tax</b>		(3,549)	(1,388)
<b>Income tax expense</b>	5	—	—
<b>Loss for the period attributable to equity holders of the Company</b>		(3,549)	(1,388)
<b>Loss per share</b>			
— <b>Basic</b>	6	HK\$(2.22) cents	HK\$(1.23) cents
— <b>Diluted</b>		N/A	N/A



## Condensed Consolidated Balance Sheet

At 30 June, 2006

	Notes	30 June, 2006 HK\$'000 (unaudited)	31 December, 2005 HK\$'000 (audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	142	219
Investment property		3,860	3,860
Available-for-sale financial assets		5,019	6,874
		<b>9,021</b>	10,953
<b>Current assets</b>			
Prepayment, deposits paid and other receivable		328	209
Cash at banks		144	52
Financial assets at fair value through profit or loss		1,248	3,096
		<b>1,720</b>	3,357
Total assets		<b>10,741</b>	14,310
<b>Current liabilities</b>			
Other payables		655	640
Borrowings		132	121
Amounts due to directors	8	515	500
		<b>1,302</b>	1,261
<b>Net current assets</b>		<b>418</b>	2,096
<b>Total assets less current liabilities</b>		<b>9,439</b>	13,049
<b>Non-current liabilities</b>			
Borrowings		2,504	2,565
<b>Net assets</b>		<b>6,935</b>	10,484
<b>EQUITY</b>			
Share capital	9	4,000	4,000
Reserves		2,935	6,484
<b>Total equity</b>		<b>6,935</b>	10,484
Net asset value per share	10	<b>HK\$0.04</b>	HK\$0.07

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June, 2006

	Share capital	Share premium	Investment revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January, 2005	2,000	106,426	47	(97,383)	11,090
Unrealised gain arising on revaluation of investments not recognised in the consolidated income statement	—	—	19	—	19
Provision for available-for-sales financial assets	—	—	(1,099)	—	(1,099)
Shares issued at premium	2,000	3,200	—	—	5,200
Share issue expenses	—	(302)	—	—	(302)
Loss for the period	—	—	—	(1,388)	(1,388)
<b>At 30 June, 2005</b>	<b>4,000</b>	<b>109,324</b>	<b>(1,033)</b>	<b>(98,771)</b>	<b>13,520</b>
At 1 January, 2006	4,000	109,115	—	(102,631)	10,484
Loss for the Review Period	—	—	—	(3,549)	(3,549)
<b>At 30 June, 2006</b>	<b>4,000</b>	<b>109,115</b>	<b>—</b>	<b>(106,180)</b>	<b>6,935</b>



# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June, 2006

	<b>Six months ended 30 June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Net cash used in operating activities	<b>(1,702)</b>	(3,365)
Net cash (used in)/generated from financing activities	<b>(50)</b>	5,350
Net cash generated from/(used in) investing activities	<b>1,844</b>	(855)
Net increase in cash at banks	<b>92</b>	1,130
Cash balances at banks at beginning of the period	<b>52</b>	40
Cash balances at banks at end of the period	<b>144</b>	1,170

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June, 2006

## 1. Basis of preparation

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The condensed consolidated financial statements are unaudited but have been reviewed by the Audit Committee of the Company.

The accounting policies adopted and the basis of preparation used in the preparation of the condensed consolidated financial statement of the group are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December, 2005, except for the adoption of the amendments and interpretations issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The applicable new/revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs (collectively referred to as the "New HKFRSs") adopted in this interim financial report are set out below:

HKAS 19 ( Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 ( Amendment)	Net Investment in a Foreign Operation
HKAS 39 ( Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 ( Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts

The adoption of the above new HKFRSs did not result in substantial changes to the Group's balance sheet and income statement.



No early adoption of the following new standard, interpretations or amendment that have been issued but are not yet effective. The adoption of such new standard, interpretations or amendment will have no material impact on the accounts of the Group and will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Presentation of financial statements: Capital disclosures <sup>1</sup>
HKFRS 7	Financial instruments: Disclosures <sup>1</sup>
HK(IFRIC)-INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies <sup>2</sup>
HK(IFRIC)-INT 8	Scope of HKFRS 2 <sup>3</sup>
HK(IFRIC)-INT 9	Reassessment of embedded derivatives <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007.

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2006.

<sup>3</sup> Effective for annual periods beginning on or after 1 May 2006.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2006.

## 2. Revenue

	<b>Six months ended 30 June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Interest income	<b>1</b>	67
Dividend income	<b>10</b>	—
	<b>11</b>	67

### 3. Segment information

All of the Group's turnover and contribution to operating results are attributable to its investment activities.

The Group invests in listed and unlisted companies in Hong Kong and in other parts of the People's Republic of China (the "PRC"). These geographical markets are the basis on which the Group reports its primary segment information. Segment information about these geographical markets is presented below:

	Hong Kong		PRC		Total	
	Six months ended 30 June,		Six months ended 30 June,		Six months ended 30 June,	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	11	67	—	—	11	67
Segment results	(342)	(354)	(1,855)	—	(2,197)	(354)
Unallocated corporate expenses					(1,352)	(1,034)
Loss for the period					(3,549)	(1,388)





#### 4. Loss from operations

	<b>Six months ended 30 June,</b>	
	<b>2006</b>	2005
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Loss from operations has been arrived at after charging/(crediting):		
Depreciation	<b>77</b>	133
Investment management fees	<b>300</b>	109
Operating lease charges on office premises	<b>92</b>	75
Directors' remuneration	<b>838</b>	327
Staff costs	<b>—</b>	130
Fair value loss of financial assets at fair value through profit or loss	<b>45</b>	—
Gain on disposal of financial assets at fair value through profit or loss	<b>(50)</b>	—

#### 5. Income tax expense

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred losses for both periods.

#### 6. Loss per share

The calculation of the loss per share is based on the loss for the period of HK\$3,549,000 (six months ended 30 June, 2005: loss of HK\$1,388,000) and on the weighted average number of 160,000,000 (six months ended 30 June, 2005: 112,707,182) shares in issue.

**7. Property, plant and equipment**

	<b>30 June, 2006</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December, 2005 HK\$'000 (audited)
Net book amounts at beginning of period/year	<b>219</b>	227
Additions	—	1,258
Disposals	—	(1,032)
Depreciation	<b>(77)</b>	(234)
Net book amounts at end of period/year	<b>142</b>	219

**8. Amounts due to directors**

The amounts are unsecured, interest free and have no fixed terms of repayment.

**9. Share capital**

	<b>Number of shares</b>	<b>HK\$'000</b>
Authorised:		
Ordinary shares of HK\$0.025 each		
at 30 June 2006		
and 31 December 2005	400,000,000	10,000
Issued and fully paid:		
Ordinary shares of HK\$0.025 each		
at 30 June 2006 and 31 December 2005	160,000,000	4,000

**10. Net asset value per share**

The calculation of the net asset value per share is based on the net assets of the Group as at 30 June, 2006 of HK\$6,935,000 (31 December, 2005: HK\$10,484,000) and 160,000,000 (31 December, 2005: 160,000,000) shares in issue.



## 11. Related party transaction

During the Review Period, the Group had the following significant related party transactions:

	<b>2006</b> <b>HK\$'000</b> <b>(unaudited)</b>	2005 HK\$'000 (unaudited)
Investment management fees paid to Hua Yu Investment Management Limited ("Hua Yu")	<b>300</b>	69
Altus Capital Limited ("Altus"), the former investment manager	—	40

## 12. Contingencies

The Group had no material contingent liabilities at the balance sheet date.

## 13. Post balance sheet event

Please refer to "Liquidity and capital resources" paragraph for details of the Open Offer (as defined hereinafter).

## Interim Dividend

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June, 2006 (six months ended 30 June, 2005: nil).

## Management Discussion and Analysis

### FINANCIAL REVIEW

During the Review Period, the revenue represented interest income from banks of HK\$1,000 and dividend income of HK\$10,000 from investing in listed shares in Hong Kong. The revenue for the six months ended 30 June 2005 represented interest income of HK\$67,000 from banks and other receivables. The drop in interest income is mainly due to the decrease in cash level resulting from utilization of funds for acquiring an investment property, and 30% equity interest in a company which in turn holds a taxi vehicle and operating license.

During the Review Period, the Group recorded a loss of HK\$3,549,000 (2005: HK\$1,388,000) after deducting administrative expenses of HK\$1,688,000 (2005: HK\$1,695,000) and finance expenses of HK\$67,000 (2005: HK\$10,000). The increase in finance costs is mainly due to the acquisition of an investment property at the end of 2005.

The increase in loss is also due to a further provision of HK\$1,855,000 (2005: nil) for impairment made in respect of the unlisted equity investment in the PRC. Please refer to the "Business review and outlook" paragraph for more details.

The net asset value per share of the Company was HK\$0.04 as at 30 June, 2006.

### LIQUIDITY AND CAPITAL RESOURCES

To strengthen its liquidity and capital base, the Company convened an Extraordinary General Meeting on 23 June, 2006 to consider and approve an open offer (the "Open Offer"), change of Company name and other matters.



The Company raised net proceeds of approximately HK\$4.8 million by way of Open Offer of issuing 80,000,000 shares at a price of HK\$0.07 per share on the basis of one share for every two shares held on 23 June, 2006. The net proceeds of approximately HK\$4.8 million shall be used as to (i) approximately HK\$2.3 million for future investment purposes in accordance with the Company's investment policy of investing in listed and unlisted companies in Hong Kong and the PRC to achieve medium term capital appreciation and (ii) approximately HK\$2.5 million for the Company's working capital.

The following is the shareholding structure of the Company immediately before and after completion of the Open Offer on 19 July, 2006:

	<b>Shareholding immediately before the Open Offer</b>		<b>Shareholding immediately after the Open Offer</b>	
	Shares	%	Shares	%
Xiyang's existing shareholding	42,710,400	26.69	42,710,400	17.80
Xiyang's entitlement under the Open Offer	0	0.00	21,355,200	8.90
Subtotal of Xiyang ( <i>Note 1</i> )	42,710,400	26.69	64,065,600	26.69
Mr. Zhou as the Underwriter	0	0.00	53,417,600	22.26
Subtotal of Mr. Zhou	42,710,400	26.69	117,483,200	48.95
Mr. Fong ( <i>Note 2</i> )	10,300,000	6.44	15,450,000	6.44
Subtotal	53,010,400	33.13	132,933,200	55.39
Public	106,989,600	66.87	107,066,800	44.61
Total	160,000,000	100.00	240,000,000	100.00

*Note:*

1. Xiyang International Limited (“Xiyang”) is a company incorporated in Hong Kong whose issued share capital is beneficially owned by Mr. Zhou Chao (“Mr. Zhou”), an executive Director and Chairman of the Company and Ms. Huang Song (“Ms. Huang”), an executive Director of the Company as to 90% and 10% respectively.
2. Mr. Fong Chi Hou (“Mr. Fong”) is a non-executive Director of the Company. The shares concerned are held by Ms. Kam Lai long, spouse of Mr. Fong.

## **CHANGE OF COMPANY NAME**

Pursuant to a resolution passed in the Extraordinary General Meeting held on 23 June, 2006, the Company changed its name from Haywood Investments Limited to Apex Capital Limited. As requested by the Hong Kong Companies Registry, the Company adopted a trade name of Apex Ding Yang Capital Limited in Hong Kong to avoid duplication of the same name already registered by an existing company incorporated in Hong Kong. The adoption of new company name is to reflect the change of the largest shareholder in May 2005 and the subsequent change in management team.

## **PLEDGE OF ASSETS**

As at 30 June, 2006, the Company’s investment property of HK\$3,860,000 has been pledged to a bank to secure a mortgage loan granted to the Group. The mortgage loan is also jointly and severally guaranteed by Mr. Zhou and Ms. Huang at nil consideration. Please refer to “Business review and outlook” paragraph for more details of the investment property.

## **CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

As at 30 June, 2006, the Group has no material capital commitment and contingent liabilities.



## FOREIGN CURRENCY FLUCTUATION

Most of the underlying investments and business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange risk is minimal.

## BUSINESS REVIEW AND OUTLOOK

The Group's investment portfolio as at 30 June, 2006 remained largely unchanged from those disclosed in the Group's 2005 annual report.

The investment property acquired by the Group in 2005 is held for long term capital investment purpose.

The taxi and its operating license acquired by the Group in 2005 are held for investment purpose.

During the Review Period, the Group has invested in certain listed shares in Hong Kong and realized a profit of HK\$50,000. As at 30 June, 2006, the Group held certain listed shares in Hong Kong with market value of HK\$863,000.

Other than the above investments, the Company acquired all the issued capital of a company in 2000 whose sole asset is a 21% equity interest in a sino-foreign joint venture in the PRC ("Tianjin Standard"), which is principally engaged in the manufacturing and trading of building materials and the provision of related consultancy services. The carrying value of this investment is HK\$5,019,000 (after a provision of HK\$1,855,000 for impairment mentioned in "Financial review" paragraph) which was based on Tianjin Standard's unaudited PRC financial statements for the six months ended 30 June 2006. Since the Group has not been in a position to exercise any significant influence over the financial and operating policies of Tianjin Standard, the Board is reviewing the disposition of this investment.

The Board is optimistic with the improving global and domestic economic conditions and will continue to pursue other investment opportunities which can generate stable revenue and bring business prospect and under the Group's investment philosophy and acceptable risk level.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June, 2006, none of the directors of the Company and their associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (the "Model Code").

Ordinary shares of HK\$0.025 each in the Company as at 30 June, 2006:

	<i>Note</i>	<b>Nature of interests</b>	<b>Number of Shares</b>	<b>Total</b>	<b>% of issued share capital of the Company</b>
Mr. Zhou	1	Corporate	64,065,600	64,065,600	26.69%
	2	Other	58,644,800	58,644,800	24.44%
				122,710,400	51.13%
Mr. Fong	3	Family	10,300,000	10,300,000	6.44%

*Notes:*

- (1) The shares concerned are held by Xiyang. It represented Xiyang's then existing shareholding of 42,710,400 shares and the entitlement under the Open Offer of 21,355,200 shares. Please also refer to the table in page 12 of this Interim Report.
- (2) It was disclosed pursuant to the agreement signed between Mr. Zhou and Xiyang on 12 May 2006 where Mr. Zhou became the underwriter of the Open Offer. The 58,644,800 shares were calculated at the maximum number of shares to be underwritten by Mr. Zhou under the Open Offer. The actual shares underwritten by Mr. Zhou were 53,417,600 after completion of the Open Offer on 19 July 2006. Please also refer to the table in page 12 of this Interim Report.
- (3) The shares concerned are held by Ms. Kam Lai long, spouse of Mr. Fong.





## SHARE OPTION SCHEME

A share option scheme (the "Scheme") was adopted at an extraordinary general meeting of the Company held on 23 May, 2002 whereby the Directors of the Company may invite eligible participants (including employees and directors of the Company or any of its subsidiaries) to take up options to subscribe for shares of the Company. The purpose of the Scheme is to provide participants with the opportunity to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

No share option has been granted since the adoption of the Scheme.

Further details of the Scheme were disclosed in the Group's 2005 Annual Report.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Review Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June, 2006, the register maintained by the Company pursuant to Section 336 of the SFO showed that, the following substantial shareholders (other than the Directors or Chief Executive of the Company) had interests in the issued share capital of the Company:

<b>Name of Shareholder</b>	<b>Nature of interests</b>	<b>Number of Shares</b>	<b>Percentage</b>
Xiyang ( <i>Note 1</i> )	Beneficial	64,065,600	26.69%
Kam Lai long ( <i>Note 2</i> )	Beneficial	10,300,000	6.44%

*Notes:*

- (1) It represented Xiyang's then existing shareholding of 42,710,400 shares and entitlement under the Open Offer of 21,355,200 shares. Please also refer to the table in page 12 of this Interim Report.
- (2) Ms. Kam Lai long is the spouse of Mr. Fong.

Other than the interests disclosed above, the register maintained by the Company pursuant to Section 336 of the SFO disclosed no person as having notifiable interest or short position in the issued share capital of the Company as at 30 June, 2006.

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

During the Review Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules with the exception of code provision A.2.1 that an individual chief executive officer is not appointed during the Review Period. The Board considers that based on the existing size and structure of the Company, the appointment of an individual chief executive officer is not necessary. Furthermore, the Company has engaged professional investment manager pursuant to Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors of the Company have confirmed that they have complied with the required standards set out in the Model Code throughout the Review Period.



## AUDIT COMMITTEE

The members of the Company's Audit Committee comprise of Mr. Liu Wing Ting, Stephen (Chairman of Audit Committee), Ms. Lam Lin Chu and Ms. Tse Po Chu who are all independent non-executive Directors of the Company. The Audit Committee met on 22 September, 2006 and reviewed with the management the accounting principles and practices adopted by the Group, and discussed internal controls and financial reporting matters including a review of the Group's unaudited condensed consolidated financial statements for the six months ended 30 June, 2006.

By Order of the Board

**Huang Song**

*Executive Director*

Hong Kong, 22 September, 2006