
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Aptus Holdings Limited or China Vanguard Group Limited, you should at once hand this circular and (in the case of Aptus Holdings Limited) the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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APTUS HOLDINGS LIMITED 眾彩科技股份有限公司*
問博控股有限公司 CHINA VANGUARD GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8212)



(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

**VERY SUBSTANTIAL DISPOSAL
RELATING TO DISPOSALS OF
EQUITY INTERESTS IN
JOINT VENTURES CARRYING OUT
NATURAL GAS RELATED BUSINESS
AND
TERMINATION OF THE PROFIT
SHARING ARRANGEMENT**

**MAJOR TRANSACTION
RELATING TO DISPOSALS OF
EQUITY INTERESTS IN
JOINT VENTURES CARRYING OUT
NATURAL GAS RELATED BUSINESS**

A joint letter from the Aptus Board and the CVG Board is set out on pages 8 to 31 of this circular.

A notice convening an extraordinary general meeting of Aptus (the "Aptus EGM") to be held at Room 2201, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong on 10 July 2009 at 10:00 a.m. is set out in Appendix VIII to this circular. A form of proxy for use thereat is also enclosed.

Whether or not you are able to attend the Aptus EGM, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the office of the branch share registrar and transfer office of Aptus in Hong Kong, Tricor Tengis Ltd., at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the Aptus EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the Aptus EGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the websites of Aptus and CVG at www.aptus.com.hk and www.cvg.com.hk respectively.

* For identification purpose only

24 June 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Aptus”	Aptus Holdings Limited 問博控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability and an indirect non-wholly-owned subsidiary of CVG, the shares of which are listed on GEM
“Aptus Board”	the board of the Aptus Directors
“Aptus Directors”	the directors of Aptus
“Aptus EGM”	the extraordinary general meeting of Aptus to be held at Room 2201, 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on 10 July 2009 at 10:00 a.m.
“Aptus Group”	Aptus and its subsidiaries
“Aptus Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of Aptus
“Aptus Shareholder(s)”	holder(s) of the Aptus Share(s)
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Beijing Xin Hua Lian Gas”	北京新華聯燃氣投資有限公司 (Beijing Xin Hua Lian Gas Investment Co. Ltd.), a PRC company which holds 23.45% of the Hunan JV as at the Latest Practicable Date
“Best Frontier”	Best Frontier Investments Limited, a company incorporated in BVI and is owned as to approximately 99.89% and approximately 0.11% respectively by Madam Cheung (the chairman and an executive director of each of Aptus and CVG) and Mr. Chan Tung Mei (an executive director of CVG), who are spouse to each other
“Bond(s)”	the zero coupon secured convertible bond(s) in the principal amount of HK\$234,000,000 due 2011 with a step-up cash coupon in 2008 issued by Aptus
“Bondholder(s)”	holder(s) of the Bond(s) from time to time

DEFINITIONS

“BVI”	British Virgin Islands
“Changde Acquisition Agreement”	the capital injection agreement dated 25 July 2006 between Huayou, Changde State-owned Asset Operation Management Company and Aptus
“Changde Equity Interest”	the 48.33% equity interest in Changde JV owned by Aptus as at the Latest Practicable Date
“Changde JV”	常德華油燃氣有限公司 (Changde Huayou Gas Co. Ltd), a limited company established in the PRC
“Changde Sale Agreement”	the Changde Gas Equity Interest Transfer Agreement dated 24 April 2009 between Aptus and Kunlun, further information of which is set out in the sub-section headed “Changde Sale Agreement” in the section headed “Joint Letter from the Aptus Board and the CVG Board” in this circular
“Changde State-owned Asset Supervision and Administration Commission of Changde People’s Government”	常德市人民政府國有資產監督管理公司 (Changde State-owned Asset Supervision and Administration Commission of Changde People’s Government) (formerly known as 常德市國有資產經營管理公司 (Changde State-owned Asset Operation Management Company)), a PRC entity which holds 0.67% of the Changde JV as at the Latest Practicable Date
“China Success”	China Success Enterprises Limited, a company incorporated in BVI, a wholly-owned subsidiary of CVG and the immediate holding company of Precise Result
“CNPC”	中國石油天然氣集團公司 (China National Petroleum Corporation), a state-owned enterprise established in the PRC
“CNPC Energy”	華油中滙能源發展有限責任公司 (CNPC Huayou Cu Energy Investment Co., Ltd.), a sino-foreign co-operative joint venture enterprise established in the PRC
“CNPC Energy Acquisition Agreement”	the agreement dated 17 June 2005 between (i) Good United as purchaser, (ii) 中滙(國際)投資發展有限公司 (China United (International) Investment Development Limited) as vendor and (iii) Li Tie and Ma Ru Wei as guarantors

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“CPG Bureau”	中國石油集團新疆石油管理局 (China National Petroleum Corporation Xin Jiang Petroleum Management Bureau), a subsidiary of CNPC
“CVG”	China Vanguard Group Limited (眾彩科技股份有限公司*), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“CVG Board”	the board of the CVG Directors
“CVG Directors”	the directors of CVG
“CVG Group”	CVG and its subsidiaries
“CVG Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of CVG
“CVG Shareholder(s)”	holder(s) of the CVG Share(s)
“Deed of Waiver”	the deed of waiver dated 22 October 2008 executed and delivered by Aptus pursuant to which, amongst other things, Aptus agreed to waive its right under Condition 8E of the terms and conditions of the Bond(s) set out in Schedule 1 to the Trust Deed to require the Bondholder(s) to complete, sign and deposit the put exercise notice
“Directors”	the Aptus Directors and the CVG Directors
“Disposal Transactions”	collectively the transactions contemplated under the Master Agreement (in so far as it relates to the Sale Agreements) and the Sale Agreements

DEFINITIONS

“Evolution”	Evolution Master Fund Ltd. SPC, Segregated Portfolio M, an Asia-focused fund organised and existing under the laws of the Cayman Islands. Its investment managers are Evo Capital Management Asia Limited, a Hong Kong-based asset management company, and Evolution Capital Management LLC, a US-based investment adviser. Evo Capital Management Asia Limited is licensed under the SFO to carry on Type 9 (asset management) activities
“First Amendment Deed”	the deed of amendment dated 23 October 2008 entered into between Aptus, the Trustee and the Security Trustee amending the Trust Deed, the principal amendment being replacing one of the put option dates under Condition 8E set out in Schedule 1 to the Trust Deed, namely 21 November 2008 with 21 February 2009
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Good United”	Good United Management Limited (順聯管理有限公司), a company incorporated in BVI and a wholly-owned subsidiary of Aptus
“Grand Promise”	Grand Promise International Limited, a company incorporated in BVI and a wholly-owned subsidiary of CVG
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huayou”	中國華油集團公司 (China Huayou Group Corporation), a subsidiary of CNPC and a state-owned enterprise which holds 51% of the Changde JV and 43.55% of the Hunan JV as at the Latest Practicable Date
“Hunan Acquisition Agreement”	the capital injection agreement dated 25 July 2006 between Huayou, Beijing Xin Hua Lian Gas and Aptus
“Hunan Equity Interest”	the 33% equity interest in Hunan JV owned by Aptus as at the Latest Practicable Date

DEFINITIONS

“Hunan JV”	湖南華油天然氣輸配有限責任公司 (Hunan Huayou Natural Gas Transportation & Distribution Co., Ltd.), a limited company established in the PRC
“Hunan Sale Agreement”	the Hunan Pipeline Equity Interest Transfer Agreement dated 24 April 2009 between Aptus and Kunlun, further information of which is set out in the sub-section headed “Hunan Sale Agreement” in the section headed “Joint Letter from the Aptus Board and the CVG Board” in this circular
“Independent Third Party(ies)”	third party(ies) independent of Aptus and CVG and their respective connected persons
“Kunlun”	中石油昆崙燃氣有限公司 (CNPC Kunlun Natural Gas Company Limited), a limited company established in the PRC
“Latest Practicable Date”	19 June 2009, being the latest practicable date for ascertaining certain information contained in this circular prior to printing
“Liberty Harbor”	Liberty Harbor Master Fund I, L.P., a multi-strategy investment fund with approximately US\$2.4 billion of equity capital under management that invests in markets primarily in North America and Asia and invests the proprietary capital of The Goldman Sachs Group, Inc. as well as capital from third party institutional investors and high net worth individuals. Liberty Harbor was set up in 2006 and currently has offices in New York, Toronto and Singapore. Liberty Harbor is advised by Goldman Sachs Asset Management, L.P., a Delaware limited partnership indirectly wholly-owned by The Goldman Sachs Group, Inc., a Delaware corporation that is publicly listed on the New York Stock Exchange
“Madam Cheung”	Madam Cheung Kwai Lan, the chairman and an executive director of each of Aptus and CVG

DEFINITIONS

“Master Agreement”	the Master Agreement dated 24 April 2009 between Aptus, CNPC Energy, Huayou and Kunlun, further information of which is set out in the sub-section headed “Master Agreement” in the section headed “Joint Letter from the Aptus Board and the CVG Board” in this circular
“Notice of Aptus EGM”	the notice convening the Aptus EGM set out in Appendix VIII to this circular
“PRC”	the People’s Republic of China, excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this circular
“Precise Result”	Precise Result Profits Limited, a company incorporated in BVI and the immediate holding company of Aptus
“Profit Sharing Arrangement”	the profit sharing arrangement with respect to the mining rights of the Xin Jiang Oilfield between CNPC Energy and Huayou
“Remaining Aptus Group”	the Aptus Group immediately after disposals of the Changde Equity Interest and the Hunan Equity Interest
“Reporting Accountants”	W.H. Tang & Partners CPA Limited
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Agreements”	collectively the Changde Sale Agreement and the Hunan Sale Agreement
“Second Amendment Deed”	the deed of amendment dated 30 December 2008 entered into between Aptus, the Trustee and the Security Trustee pursuant to which the Trust Deed was further amended by, amongst other things, permitting Aptus to dispose of the rights, interest and property over the security for the obligations of Aptus under the Bond(s) and the Trust Deed for the purpose of redeeming the outstanding Bond(s), limiting the rights of the holder(s) of the Bond(s) to convert the Bond(s) during the period ending 21 November 2009, revising the conversion price to HK\$0.5756 and the minimum reset reference price, and amending the provisions pursuant to which Aptus and the holder(s) of the Bond(s) may redeem the Bond(s)

DEFINITIONS

“Security Trustee”	BNY Corporate Trustee Services Limited
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Termination Agreement”	the agreement dated 24 April 2009 between CNPC Energy and Huayou in relation to the termination of the Profit Sharing Arrangement, further information of which is set out in the sub-section headed “Termination Agreement” in the section headed “Joint Letter from the Aptus Board and the CVG Board” in this circular
“Trust Deed”	the trust deed constituting the Bond(s) dated 22 November 2006 entered into amongst Aptus, the Trustee and the Security Trustee (as amended by the First Amendment Deed and the Second Amendment Deed)
“Trustee”	The Bank of New York Mellon
“US\$”	United States dollars, the lawful currency of the United States of America
“Xin Jiang Oilfield”	Nos. 1, 32 and 43 Heavy Oil Blocks of Xin Jiang Fengcheng Oilfield (新疆風城油田)

For ease of reference, the names of the PRC established companies or entities, have generally been included in this circular in both Chinese and English languages and in the event of inconsistency, the Chinese language shall prevail.

Unless otherwise specified or the context otherwise requires, translation of RMB into HK\$ is made in this circular for illustration purpose only, at the rate of HK\$100 = RMB88.128.

No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate, at any rate used in this circular, at any other rate or at all.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD



APTUS HOLDINGS LIMITED
問博控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8212)



眾彩科技股份有限公司*
CHINA VANGUARD GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8156)

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. Zhao Zhi Ming
Mr. Zou Qi Jun
Mr. To Yan Ming Edmond

Registered office:

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

*Head office and principal place
of business in Hong Kong:*

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

Executive Directors:

Madam Cheung Kwai Lan (*Chairman*)
Mr. Chan Tung Mei
Mr. Chan Ting
Ms. Chan Siu Sarah
Mr. Lau Hin Kun

Independent non-executive Directors:

Mr. Tian He Nian
Mr. Zhang Xiu Fu
Mr. Zhao Zhi Ming
Mr. To Yan Ming Edmond

Registered office:

Cricket Square
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*Head office and principal place
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Room 2201, 22nd Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

24 June 2009

* For identification purpose only

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

To the Aptus Shareholders, CVG Shareholders and, for information only, holders of the outstanding options granted under the respective share option schemes of Aptus and CVG

Dear Sir or Madam,

APTUS HOLDINGS LIMITED
問博控股有限公司

CHINA VANGUARD GROUP LTD.
眾彩科技股份有限公司*

**VERY SUBSTANTIAL DISPOSAL
RELATING TO DISPOSALS OF
EQUITY INTERESTS IN
JOINT VENTURES CARRYING OUT
NATURAL GAS RELATED BUSINESS
AND
TERMINATION OF THE PROFIT
SHARING ARRANGEMENT**

**MAJOR TRANSACTION
RELATING TO DISPOSALS OF
EQUITY INTERESTS IN
JOINT VENTURES CARRYING OUT
NATURAL GAS RELATED BUSINESS**

INTRODUCTION

Reference is made to the joint announcement of Aptus and CVG dated 14 May 2009 pursuant to which the Aptus Directors and CVG Directors announced that on 24 April 2009, Aptus and/or CNPC Energy entered into agreements relating to the termination of the Profit Sharing Arrangement for return of monies provided to Huayou and compensatory interest for an amount of approximately RMB39,856,000 (approximately HK\$45,226,000) and the disposals by Aptus of the Changde Equity Interest and Hunan Equity Interest for the consideration of RMB255,000,000 (approximately HK\$289,350,000) and approximately RMB100,144,000 (approximately HK\$113,634,000) respectively.

The purpose of this circular is to provide you with information with regard to the Disposal Transactions and termination of the Profit Sharing Arrangement and to give the Notice of Aptus EGM.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

VERY SUBSTANTIAL DISPOSAL FOR APTUS AND MAJOR TRANSACTION FOR CVG RELATING TO DISPOSALS OF EQUITY INTERESTS IN JOINT VENTURES CARRYING OUT NATURAL GAS RELATED BUSINESS

MASTER AGREEMENT

The material terms and conditions of the Master Agreement (which is legally binding under the laws of the PRC) are summarised below:

Date 24 April 2009

Parties Aptus, CNPC Energy, Huayou and Kunlun

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, both Huayou and Kunlun are subsidiaries of CNPC and Huayou and Kunlun and their ultimate beneficial owner(s) are Independent Third Parties

Subject Matters The parties agreed that:

- (a) CNPC Energy and Huayou agreed to enter into the Termination Agreement;
- (b) Aptus agreed to enter into the Changde Sale Agreement and the Hunan Sale Agreement with Kunlun; and
- (c) CNPC Energy and Aptus will receive the amount payable as described below.

Amount payable Huayou and Kunlun shall pay an aggregate of approximately RMB395,000,000 (approximately HK\$448,210,000) under the terms of the Master Agreement. This amount was determined through arm's length negotiation and on normal commercial terms.

Termination of the Termination Agreement, the Changde Sale Agreement and Hunan Sale Agreement If either the Changde Sale Agreement or the Hunan Sale Agreement does not come into effect within 6 months of the date of the execution of the Master Agreement, either Aptus or Kunlun may give written notice to the other terminating the Changde Sale Agreement and/or the Hunan Sale Agreement.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

If any one of the Termination Agreement, the Changde Sale Agreement or the Hunan Sale Agreement is terminated, the other agreements will automatically terminate.

CHANGDE SALE AGREEMENT

The material terms and conditions of the Changde Sale Agreement are summarised below:

Date	24 April 2009
Parties	Aptus and Kunlun To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Kunlun and its ultimate beneficial owner(s) are Independent Third Parties
Assets to be disposed of	The Changde Equity Interest
Consideration and conditions for its payment	RMB255,000,000 (approximately HK\$289,350,000) Payment of the consideration is conditional on satisfaction of the following conditions: (a) Aptus having obtained all necessary approvals, consents or authorisations from its shareholders and in respect of this equity interest transfer; and (b) the relevant PRC governmental authorities having approved the Changde Sale Agreement. As at the Latest Practicable Date, none of the conditions has been fulfilled or waived.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

The consideration was determined through arm's length negotiations and on normal commercial terms taking into account the investment that Aptus had made, the historical operation results of the Changde JV and its prospects. The aggregate consideration payable to Aptus under the Changde Sale Agreement and the Hunan Sale Agreement represents a return of approximately 92.3% in Hong Kong dollar terms in less than 3 years. The management of Aptus considers this a satisfactory return especially in the current economic environment.

Timing for payment of the consideration

Kunlun shall pay the following consideration:

- (a) 50% of the consideration (being RMB127,500,000 (approximately HK\$144,675,000)) will be paid to a bank account within the PRC designated by Aptus within 7 days after satisfaction of the conditions for payment referred to above; and
- (b) the balance of 50% of the consideration (being RMB127,500,000 (approximately HK\$144,675,000)) will be paid to a bank account designated by Aptus within 30 days after the relevant office of the Administration of Industry and Commerce has issued documents evidencing that the registration of the equity interest transfer has been completed.

Late payments by Kunlun are subject to penalty interest at the rate of 0.05% per day.

Procedures for the transfer of the Changde Equity Interest

To procure the transfer of the Changde Equity Interests, Aptus and Kunlun will use their best endeavors:

- (a) to procure that a board meeting of the Changde JV be held as soon as possible after the signing of the Changde Sale Agreement to amend the original joint venture contract and articles of association, and to obtain the necessary approval of the responsible office of the Department of Commerce; and

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

- (b) to procure that the Changde JV will submit the relevant documents to the relevant office of the Administration of Industry and Commerce, and to proceed with the handover of the documents relating to assets, legal and financial affairs after receipt of evidence from the relevant office of the Administration of Industry and Commerce that registration of the equity interest transfer is complete.

Default

If Aptus is in breach of its obligations to procure the transfer of the Changde Equity Interest or any of the warranties given by it, and this causes the failure of the transfer, Aptus has to pay 20% of the consideration of the Changde Equity Interest (being RMB51,000,000 (approximately HK\$57,870,000)) as compensation to Kunlun.

If Kunlun is in breach of its obligations to procure the transfer of the Changde Equity Interest or any of the warranties given by it, and this causes the failure of the transfer, Kunlun has to pay 20% of the consideration (being RMB51,000,000 (approximately HK\$57,870,000)) of the Changde Equity Interest as compensation to Aptus.

Under the laws of the PRC, the Changde Sale Agreement will only come into effect after the Department of Commerce of Hunan Province (湖南省商務廳) approves this agreement. Upon registration of the transfer of the Changde Equity Interest with the Changde Administration of Industry and Commerce (常德市工商行政管理局), Aptus will cease to have any interest in the Changde JV.

Acquisition of the Changde Equity Interest and the Hunan Equity Interest by Aptus in 2006

By an announcement dated 2 August 2006, Aptus and CVG jointly announced that on 25 July 2006, Aptus had entered into the Changde Acquisition Agreement and the Hunan Acquisition Agreement pursuant to which Aptus had conditionally agreed to make capital contributions to Changde JV and Hunan JV for the amounts of RMB131,707,900 (approximately HK\$130,623,000) and RMB79,599,000 (approximately HK\$78,943,000) respectively on completion by applying the exchange rate of HK\$100 = RMB100.83. After completion of the Changde Acquisition Agreement and the Hunan Acquisition Agreement, Aptus owns a 48.33% equity interest in Changde JV and a 33% equity interest in Hunan JV.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Information on the Changde JV

Changde JV is a limited company established in the PRC on 11 October 1999. It is owned as to 48.33% by Aptus, 51% by Huayou and 0.67% by Changde State-owned Asset Supervision and Administration Commission of the Changde People's Government as at the Latest Practicable Date. Changde JV is principally engaged in the business of gas pipeline design and supply, development and management of natural gas pipelines and distribution facilities.

The operating term of Changde JV is from 6 February 2007 to 4 January 2033. The registered capital of Changde JV is RMB119,760,000 (approximately HK\$135,893,000 by applying the exchange rate of HK\$100 = RMB88.128), which has been fully paid up. As at 31 December 2008, the major assets of Changde JV included gas pipelines, land use rights, buildings and other construction in progress which are all related to natural gas business and located in Changde City in the PRC. It constructs and operates the city-level pipelines connecting to end users in Changde City.

Based on the audited financial statements of Changde JV prepared in accordance with the PRC accounting standards, certain financial information of Changde JV is set out in the table below:

	Financial year ended 31 December 2007	Financial year ended 31 December 2008
Audited net profit before taxation and minority interest	approximately RMB16,238,000 (approximately HK\$17,360,000)	approximately RMB18,077,000 (approximately HK\$20,534,000)
Audited net profit after taxation and minority interest	approximately RMB15,175,000 (approximately HK\$16,224,000)	approximately RMB18,077,000 (approximately HK\$20,534,000)
Audited total asset value	approximately RMB294,948,000 (approximately HK\$315,328,000)	approximately RMB324,139,000 (approximately HK\$368,198,000)
Audited net asset value	approximately RMB232,658,000 (approximately HK\$248,734,000)	approximately RMB250,732,000 (approximately HK\$284,813,000)

Note: in the table above, the exchange rates of HK\$100 = RMB93.537 and HK\$100 = RMB88.034 have been applied for the financial year ended 31 December 2007 and 31 December 2008 respectively.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

HUNAN SALE AGREEMENT

The material terms and conditions of the Hunan Sale Agreement are summarised below:

Date 24 April 2009

Parties Aptus and Kunlun

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Kunlun and its ultimate beneficial owner(s) are Independent Third Parties

Assets to be disposed of The Hunan Equity Interest

Consideration and conditions for its payment Approximately RMB100,144,000 (approximately HK\$113,634,000)

Payment of the consideration is conditional on satisfaction of the following conditions:

- (a) Aptus having obtained all necessary approvals, consents or authorisations from its shareholders and in respect of this equity interest transfer; and
- (b) the relevant PRC governmental authorities having approved the Hunan Sale Agreement.

As at the Latest Practicable Date, none of the conditions has been fulfilled or waived.

The consideration was determined through arm's length negotiations and on normal commercial terms taking into account the investment that Aptus had made, the historical operation results of the Hunan JV and its prospects. The aggregate consideration payable to Aptus under the Changde Sale Agreement and the Hunan Sale Agreement represents a return of approximately 92.3% in Hong Kong dollar terms in less than 3 years. The management of Aptus considers this a satisfactory return especially in the current economic environment.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Timing for payment of the consideration

Kunlun shall pay the following consideration:

- (a) 50% of the consideration (being approximately RMB50,072,000 (approximately HK\$56,817,000)) will be paid to a bank account within the PRC designated by Aptus within 7 days after satisfaction of the conditions for payment referred to above; and
- (b) the balance of 50% of the consideration (being approximately RMB50,072,000 (approximately HK\$56,817,000)) will be paid to a bank account designated by Aptus within 30 days after the relevant office of the Administration of Industry and Commerce has issued documents evidencing that the registration of the equity interest transfer has been completed.

Late payments by Kunlun are subject to penalty interest at the rate of 0.05% per day.

Procedures for the transfer of the Hunan Equity Interest

To procure the transfer of the Hunan Equity Interest, Aptus and Kunlun will use their best endeavors:

- (a) to procure that a board meeting of the Hunan JV be held as soon as possible after the signing of the Hunan Sale Agreement to amend the original joint venture contract and articles of association, and to obtain the necessary approval of the responsible office of the Department of Commerce; and
- (b) to procure that the Hunan JV will submit the relevant documents to the relevant office of the Administration of Industry and Commerce, and to proceed with the handover of the documents relating to assets, legal and financial affairs after receipt of evidence from the relevant office of the Administration of Industry and Commerce that registration of the equity interest transfer is complete.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Default

If Aptus is in breach of its obligations to procure the transfer of the Hunan Equity Interest or any of the warranties given by it and this causes the failure of the transfer, Aptus has to pay 20% of the consideration of the Hunan Equity Interest (being approximately RMB20,029,000 (approximately HK\$22,727,000)) as compensation to Kunlun.

If Kunlun is in breach of its obligation to procure the transfer of the Hunan Equity Interest or any of the warranties given by it and this causes the failure of the transfer, Kunlun has to pay 20% of the consideration of the Hunan Equity Interest (being approximately RMB20,029,000 (approximately HK\$22,727,000)) as compensation to Aptus.

Under the laws of the PRC, the Hunan Sale Agreement will only come into effect after the Department of Commerce of Hunan Province (湖南省商務廳) approves this agreement. Upon registration of the transfer of the Hunan Equity Interest with the Changde Administration of Industry and Commerce (常德市工商行政管理局), Aptus will cease to have any interest in the Hunan JV.

Information on the Hunan JV

Hunan JV is a limited company established in the PRC on 21 April 2005. It is owned as to 33% by Aptus, 43.55% by Huayou and 23.45% by Beijing Xin Hua Lian Gas as at the Latest Practicable Date. Hunan JV is principally engaged in the construction and development of natural gas pipelines and related consultation services in the PRC. The Hunan JV constructs and operates the provincial-level pipeline in the province of Hunan, the PRC.

The operating term of Hunan JV is from 21 April 2005 to 21 April 2055. The registered capital of Hunan JV is RMB149,254,000 (approximately HK\$169,360,000 by applying the exchange rate of HK\$100 = RMB88.128), which has been fully paid up. As at 31 December 2008, the major assets of Hunan JV include the capitalised expenditure on the construction of the pipelines owned by it.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Based on the audited financial statements of the Hunan JV prepared in accordance with the PRC accounting standards, certain financial information of the Hunan JV is set out in the table below:

	Financial year ended 31 December 2007	Financial year ended 31 December 2008
Audited net loss before taxation and minority interest	approximately RMB38,693,000 (approximately HK\$41,367,000)	approximately RMB37,849,000 (approximately HK\$42,994,000)
Audited net loss after taxation and minority interest	approximately RMB38,693,000 (approximately HK\$41,367,000)	approximately RMB37,849,000 (approximately HK\$42,994,000)
Audited total asset value	approximately RMB357,451,000 (approximately HK\$382,149,000)	approximately RMB342,845,000 (approximately HK\$389,446,000)
Audited net asset value	approximately RMB131,113,000 (approximately HK\$140,172,000)	approximately RMB93,265,000 (approximately HK\$105,942,000)

Note: in the table above, the exchange rates of HK\$100 = RMB93.537 and HK\$100 = RMB88.034 have been applied for the financial year ended 31 December 2007 and 31 December 2008 respectively.

Information on Kunlun

To the understanding of the Directors, Kunlun specialises in the downstream natural gas market in the PRC. It operates in Guangdong, Hunan, Jilin and other parts of the PRC.

TERMINATION AGREEMENT

The material terms and conditions of the Termination Agreement (which is legally binding under the laws of the PRC) are summarised below:

Date 24 April 2009

Parties CNPC Energy and Huayou

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Huayou and its ultimate beneficial owner(s) are Independent Third Parties

Subject Matter Termination of the Profit Sharing Arrangement

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Amount payable and condition for its payment In consideration of the termination of the Profit Sharing Arrangement, CNPC Energy will receive a sum of approximately RMB39,856,000 (approximately HK\$45,226,000).

The amount payable was determined through arm's length negotiations and on normal commercial terms based on the amount which CNPC Energy had provided to Huayou (being approximately RMB30,000,000, approximately HK\$34,042,000) for the purpose of preliminary exploration work on the Xin Jiang Oilfield together with compensatory interest of approximately RMB9,856,000 (approximately HK\$11,184,000) representing an annual compound interest rate of approximately 9.041%.

Payment of the amount payable under the agreement Subject to approval of the Aptus Shareholders of this agreement being obtained, Huayou will pay the entire sum payable within 30 days of the completion of the equity interests transfer procedures under the Changde Sale Agreement and the Hunan Sale Agreement to a bank account within the PRC as designated by CNPC Energy in accordance with the written payment instruction of CNPC Energy.

Late payments by Huayou are subject to penalty interest at the rate of 0.05% per day.

Effective date of the termination of the Profit Sharing Arrangement Termination of the Profit Sharing Arrangement shall come into effect on the date on which all monies payable under the Termination Agreement have been paid by Huayou.

Information on CNPC Energy

By a joint announcement dated 22 June 2005, Aptus and CVG announced that Good United had entered into the CNPC Energy Acquisition Agreement pursuant to which Good United had acquired a 70% equity interest in CNPC Energy. The main asset of CNPC Energy is the Profit Sharing Arrangement.

CNPC Energy is a sino-foreign co-operative joint venture enterprise established in the PRC on 30 April 2004, the equity interests of which is owned as to 70% by Good United and the remaining 30% by an Independent Third Party. Huayou is also a party to the sino-foreign co-operative joint venture contract relating to CNPC Energy pursuant to which Huayou, amongst other things, is responsible for providing projects for cooperation as well as

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

technologies for oil surveying and exploring and is entitled to receive a fee as agreed by the parties for each cooperation project. Huayou also has the right to appoint one director to the board of directors of CNPC Energy to act as the vice chairman.

CNPC Energy is principally engaged in the business of development and operation of crude oil, natural gas and other projects relating to the usage of crude oil and natural gas.

The operating term of CNPC Energy is from 30 April 2004 to 29 April 2024. The registered capital of CNPC Energy is RMB100,000,000 (approximately HK\$113,471,000 by applying the exchange rate of HK\$100 = RMB88.128) of which approximately RMB47,047,000 (approximately HK\$53,385,000 by applying the exchange rate of HK\$100 = RMB88.128) has been paid up.

Based on the audited financial statements of CNPC Energy prepared in accordance with the PRC accounting standards, certain financial information of CNPC Energy is set out below:

	Financial year ended 31 December 2007	Financial year ended 31 December 2008
Audited net loss before taxation and minority interest	approximately RMB12,977,000 (approximately HK\$13,874,000)	approximately RMB288,000 (approximately HK\$327,000)
Audited net loss after taxation and minority interest	approximately RMB12,977,000 (approximately HK\$13,874,000)	approximately RMB288,000 (approximately HK\$327,000)
Audited total asset value	approximately RMB30,543,000 (approximately HK\$32,653,000)	approximately RMB30,631,000 (approximately HK\$34,795,000)
Audited net asset value	approximately RMB29,380,000 (approximately HK\$31,410,000)	approximately RMB29,092,000 (approximately HK\$33,046,000)

Note: in the table above, the exchange rates of HK\$100 = RMB93.537 and HK\$100 = RMB88.034 have been applied for the financial year ended 31 December 2007 and 31 December 2008 respectively.

After termination of the Profit Sharing Arrangement pursuant to the Termination Agreement, CNPC Energy will continue to be a subsidiary of Aptus. As provided in the Termination Agreement, Huayou has agreed to withdraw from CNPC Energy after termination of the Profit Sharing Arrangement. After the withdrawal of Huayou and subject to the relevant government approvals being obtained, CNPC Energy intends to convert itself from a sino-foreign co-operative joint venture into a wholly foreign owned enterprise.

After termination of the Profit Sharing Arrangement, CNPC Energy will continue to work as part of the Aptus Group to pursue and invest in the business opportunities as outlined in the section headed “Reasons for, and Benefits of, Entering into the Transactions” below in this circular.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Information on the Xin Jiang Oilfield

Xin Jiang Oilfield is located in the northwestern rim of Junggar Basin in Xin Jiang, 120 km east to Karamay City. It is a crude oil field which was discovered in the 1960s and has over 40 years of exploration. As at the Latest Practicable Date, exploration has been carried out but commercial production pursuant to the Profit Sharing Arrangement has not commenced in the Xin Jiang Oilfield.

Information on Huayou

The Directors understand that Huayou is a subsidiary of CNPC and has been engaging in the principal businesses of production and marketing of oil and gas products, gas development and exploration, production and marketing of high grade lubricating oil. Huayou's main role under the Profit Sharing Arrangement is to coordinate with CPG Bureau and participate in managing the development of the Xin Jiang Oilfield.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE TRANSACTIONS

Termination Agreement

As disclosed in the annual report of Aptus dated 25 September 2008, there has been a business restructuring of the CPG Bureau and PetroChina Company Limited Xinjiang Branch, who together with Huayou are responsible for the development, management and operation of the Xin Jiang Oilfield. As a result of this restructuring, CNPC Energy and Huayou have been involved in discussions regarding how to move forward with the project.

The business restructuring involving CPG Bureau and PetroChina Company Limited Xinjiang Branch has affected progress in developing the oilfield with a negative effect on the Profit Sharing Arrangement. Considering the time that will be required to develop the Xin Jiang Oilfield in order to achieve commercial production in a cost effective manner and the fact that CNPC Energy's right in relation to the Xin Jiang Oilfield will expire in 2016, there is great risk that a reasonable return will not be achievable. Raising the money required to develop the Xin Jiang Oilfield in the current unfavourable economic environment would be difficult and expensive. Further, the lifting cost for heavy crude is more expensive than that for lighter crude. When coupled with the current weak oil price and the uncertain global economic outlook, the result is a difficult and highly uncertain environment in which to achieve profit from the Profit Sharing Arrangement. Therefore, CNPC Energy has decided that the best course of action is to terminate the Profit Sharing Arrangement on the terms of the Termination Agreement which allow for the recovery of the funds provided by CNPC Energy to Huayou of approximately RMB30,000,000 (approximately HK\$34,042,000) plus compensatory interest (being approximately RMB9,856,000 (approximately HK\$11,184,000)).

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Sale Agreements

The aggregate consideration paid by Aptus under the Changde Acquisition Agreement and the Hunan Acquisition Agreement was approximately RMB211,306,900 (approximately HK\$209,566,000) at the time of the respective capital injections. The aggregate consideration that will be received by Aptus under the Sale Agreements is approximately RMB355,144,000 (approximately HK\$402,984,000). This represents a return of approximately 92.3% in Hong Kong dollar terms in less than 3 years. The Directors consider this to be a satisfactory return especially given the current economic environment. The Directors therefore believe that the Changde Sale Agreement and the Hunan Sale Agreement represent a good opportunity for the Aptus Group to realise a considerable return on its investment in the Changde JV and the Hunan JV.

Overall, the proceeds from the Disposal Transactions will improve the financial position of the Aptus Group by providing funds, if necessary, to retire a large portion of the Aptus Group's debt, as well as improving its working capital condition and provide funds for other investment opportunities. After taking into account the factors and considerations set out above, the Directors (including the independent non-executive directors of both Aptus and CVG) consider that the terms of the termination of the Profit Sharing Arrangement and Disposal Transactions are fair and reasonable, on normal commercial terms and in the interest of the Aptus Group, CVG Group, Aptus Shareholders and CVG Shareholders as a whole.

Use of proceeds

Based on the return of monies previously provided to Huayou and compensatory interest payable to CNPC Energy under the Termination Agreement, the estimated gross proceeds from the Termination Agreement is approximately RMB39,856,000 (approximately HK\$45,226,000).

Based on the consideration for the disposals under the Sales Agreements to be received by Aptus, the estimated gross proceeds from the Sale Agreements is approximately RMB355,144,000 (approximately HK\$402,984,000).

Total estimated gross proceeds receivable by the Aptus Group will be approximately HK\$448,210,000.

As at 31 December 2008, Aptus had debts of approximately HK\$318,291,000 (excluding the debts of Changde JV and Hunan JV). This was made up of approximately HK\$286,647,000 in Bond(s) and approximately HK\$31,644,000 borrowings (excluding the bank and other borrowings of Changde JV and Hunan JV). Assuming the estimated gross proceeds of the Termination Agreement and the Disposal Transactions of approximately HK\$448,210,000 are fully utilised to retire all Aptus debts as at 31 December 2008, Aptus would have net cash of approximately HK\$129,919,000. If the Disposal Transactions and the Termination Agreement occur, then Aptus' business operations would consist of its edible oil trading business which was its main source of business in 2005 and 2006. This edible oil trading business generated HK\$39,562,000 in revenue for the financial year ended 30 June 2008, which represented approximately 38% of Aptus' total revenue.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Aptus Group has continually been looking to expand its business by exploring new business, joint venture and acquisition opportunities. Over the past year and currently, Aptus Group has been investigating opportunities in the following business areas:

- Oil and gas related assets in the PRC
- Other non-oil and gas related resource assets in the PRC
- Oil and gas related equipment and service provider in the PRC
- Other non-resource related ventures in the PRC

The management of Aptus Group has identified two of the above as potentially very attractive and they are in varying stages of due diligence. The Aptus Group is currently working hard to bring new opportunities to fruition within a reasonable time frame. The Aptus Group has proven capability to source attractive projects such as the two natural gas related assets. Management is confident that it will be able to continue to build the operations of Aptus Group with the objective of enhancing shareholders' returns.

In the joint announcement of Aptus and CVG dated 14 May 2009 in relation to, amongst other things, the Disposal Transactions, it was announced that part of the proceeds of the Sale Agreements would likely be applied to redeem the Bonds and that Aptus was discussing with the Bondholder(s) on the relevant arrangement. By an announcement dated 19 June 2009, Aptus has announced that it and Evolution, being the sole beneficial owner of all the Bond(s) as at the Latest Practicable Date, have entered into a deed of acknowledgement and undertaking dated 19 June 2009 pursuant to which, amongst other things:

- (a) Evolution:
 - (i) approves the termination of the Profit Sharing Arrangement;
 - (ii) acknowledges and/or agrees that:
 - (aa) Aptus will not be able to redeem the Bond(s) until the earlier of (i) the consideration payable under the Sale Agreements necessary to redeem the Bond(s) having been converted from RMB into HK\$ and received by Aptus and (ii) 21 November 2009;
 - (bb) the sum of HK\$5,850,000, being interest due and payable by Aptus on 21 May 2009 in respect of the Bond(s) in accordance with the Trust Deed ("May Interest Payment"), has not been paid and consents to the May Interest Payment not being paid by Aptus; and
 - (cc) the May Interest Payment will bear interest at the rate of 5% per annum payable semi-annually and the May Interest Payment (together with any interest accrued) must be paid to the Bondholder(s) by Aptus upon redemption of the Bond(s) or conversion.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

- (b) Aptus agrees that until the Bond(s) are fully redeemed by Aptus, Aptus will only deploy for its own internal corporate purposes that part of the consideration payable under the Sale Agreements that exceeds HK\$316,000,000, or, prior to conversion of the such consideration into HK\$, the RMB equivalent of HK\$316,000,000.

The Bank of New York Depository (Nominees) Limited, being the sole registered holder of the Bond(s) has to pass a resolution approving, amongst other things, termination of the Profit Sharing Arrangement and the modification of its right in respect of the May Interest Payment as summarised above. Such resolution has already been passed prior to the date of the above deed of acknowledgement and undertaking.

FINANCIAL EFFECT OF THE DISPOSAL TRANSACTIONS

In relation to Aptus

After the Disposal Transactions, Aptus will cease to have any interest in the Changde JV and the Hunan JV and their assets and liabilities will not be proportionately consolidated in Aptus' consolidated balance sheet.

Based on (i) the unaudited financial statements of the Changde JV and the Hunan JV as at 31 March 2009, (ii) the aggregate consideration of approximately RMB355,144,000 (approximately HK\$402,984,000) payable under the Sale Agreements, (iii) estimated tax and professional fees for the Disposal Transactions, and (iv) goodwill for the acquisition of the Changde JV and the Hunan JV, it is expected that a gain of approximately HK\$157,477,000 will be accrued to Aptus.

As set out in Appendix III to this circular, the unaudited pro forma consolidated net profit of the Remaining Aptus Group for the year ended 30 June 2008 (assuming that the Disposal Transactions were completed on 1 July 2007) would be approximately HK\$115,006,000, and the unaudited pro forma assets and liabilities of the Remaining Aptus Group as at 30 June 2008 (assuming that the Disposal Transactions were completed on 30 June 2008) would be approximately HK\$445,980,000 and HK\$308,461,000 respectively.

The difference between unaudited pro forma consolidated net profit of the Remaining Aptus Group for the year ended 30 June 2008 and Aptus' audited net loss for the year ended 30 June 2008 of approximately HK\$57,087,000 is approximately HK\$172,093,000. The unaudited pro forma consolidated total assets of the Remaining Aptus Group as at 30 June 2008 is approximately HK\$37,394,000 more than Aptus' audited total assets as at 30 June 2008 of approximately HK\$408,586,000. The unaudited pro forma consolidated total liabilities of the Remaining Aptus Group as at 30 June 2008 is approximately HK\$117,836,000 less than Aptus' audited total liabilities as at 30 June 2008 of approximately HK\$426,297,000.

In relation to CVG

After the Disposal Transactions, CVG will cease to have any interest in the Changde JV and the Hunan JV and their assets and liabilities will not be proportionately consolidated in CVG's consolidated balance sheet.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Based on (i) the unaudited financial statements of the Changde JV and the Hunan JV as at 31 March 2009, (ii) the aggregate consideration of approximately RMB355,144,000 (approximately HK\$402,984,000) payable under the Sale Agreements, (iii) estimated tax and professional fees for the Disposal Transactions, (iv) goodwill for the acquisition of the Changde JV and the Hunan JV and (v) goodwill for the acquisition of the Aptus Shares by CVG, it is expected that a gain of approximately HK\$61,158,000 will be accrued to CVG.

Prior to the Disposal Transactions, CVG absorbed approximately HK\$3,197,000 net loss from the Changde JV and the Hunan JV for the financial year ended 30 June 2008, and the Changde JV and the Hunan JV contributed approximately HK\$291,187,000 assets and approximately HK\$117,858,000 liabilities to the CVG Group as at 30 June 2008. After the Disposal Transactions, the effect on the CVG Group will be an increase in earnings, and a decrease in the assets and liabilities as if the Disposal Transactions were completed on 30 June 2008.

FINANCIAL AND TRADING PROSPECTS

In relation to Aptus

The principal activity of the Aptus Group would be the trading of edible oil via its non-listed Singapore subsidiary after completion of the Disposal Transactions.

With regard to prospects, the Aptus Group will focus its efforts in scaling up the operation of the edible oil trading segment while at the same time continue to expand its operations by exploring new business, joint venture and acquisition opportunities. Over the past year and currently, the Aptus Group has been investigating opportunities in the following business areas:

- Oil and gas related assets in the PRC
- Other non-oil and gas related resource assets in the PRC
- Oil and gas related equipment and service provider in the PRC
- Other non-resource related ventures in the PRC

The management of Aptus Group has identified two of the above as potentially very attractive and they are in varying stages of due diligence. The Aptus Group is currently working hard to bring new opportunities to fruition within a reasonable time frame. The Aptus Group has proven capability to source attractive projects such as the two natural gas related assets. Management is confident that it will be able to continue to build the operations of Aptus Group with the objective of enhancing shareholders' returns.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

In relation to CVG

The principal activities of the CVG Group are (i) provision of the nationwide karaoke content management service system, a technology platform for intellectual property protection and value-added services for the karaoke industry (in the entertainment sector) in the PRC via Grand Promise; (ii) provision of lottery-related businesses in the PRC via our subsidiary Shenzhen Bozone IT Co., Ltd. (“Bozone”); (iii) distribution of natural supplementary products via its non-listed wholly-owned subsidiaries and (iv) trading of edible oil via Aptus after completion of the Disposal Transactions.

The CVG Group is now at a favourable position in cultural and intellectual property related industries, and is benefiting from the new burgeoning cultural industry in China. Currently, the CVG Group is transferring its business focus to culture and copyright related industries. CVG believes that concentrating in the cultural and intellectual property related business can allow the CVG Group to participate in the fast-growing revenue flow industry and broaden the CVG Group’s revenue base.

It is Bozone’s objective to become a major vertically integrated player in the PRC lottery-related sector, and with Bozone having a branch office in Beijing, Bozone is a step closer to its aim of becoming a one-stop solution provider to welfare lottery centres across the PRC. Bozone is currently ranked as the third largest lottery solution provider to the welfare lottery industry in the PRC. Bozone will continue building on its existing products and further develop in the area of POS machines.

Through CVG’s non-listed wholly-owned subsidiaries, CVG Group distribute various food products sourced from various Asian countries to bring into the Hong Kong market under the brand name B&B. Currently, the products of the CVG Group can be found on the shelves of various major supermarket chain stores and department stores in Hong Kong while other snack items can be located in various promotion counters, food expos and the Hong Kong Brand and Product Expo. It is CVG’s intention to expand its product offerings in the future.

As for Aptus, the management will focus its efforts in scaling up the operation of the edible oil trading segment as edible oils are recognised as essential nutrients in the human diet. The crude palm oil traded by Aptus is recognised as healthier than animal fat which is higher in cholesterol. Therefore, it is likely that the demand for plant-based edible oils will see continued growth in underlying demand due to global population growth and increasing health consciousness. Aptus Group has continuously been looking to expand its business by exploring new business, joint venture and acquisition opportunities. The management of Aptus Group has identified two potentially very attractive projects and are in varying stages of due diligence. The Aptus Group is currently working hard to bring new opportunities to fruition within a reasonable time frame.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

The loss attributable to the CVG Group from the Changde JV and the Hunan JV for the year ended 30 June 2008 was approximately HK\$3,197,000. The Disposal Transactions are expected to have an effect on the financials of CVG given that the loss attributable to the CVG Group from the Changde JV and the Hunan JV for the year ended 30 June 2008 was approximately 2.8% of the total loss of the CVG Group. Overall, the proceeds from the Disposal Transactions will improve the financial position of the CVG Group by providing funds, if necessary, to retire a large portion of the Aptus Group's debt, as well as improving its working capital condition and provide funds for other investment opportunities.

FINANCIAL INFORMATION

In relation to Aptus

Based on the annual report of Aptus for the year ended 30 June 2008, the net loss before and after taxation for the year ended 30 June 2008 was approximately HK\$57,499,000 and HK\$57,087,000 respectively. Aptus recorded a negative net asset value of approximately HK\$17,711,000 as at 30 June 2008.

The net profits or losses attributable to the Profit Sharing Arrangement, the Changde Equity Interest and the Hunan Equity Interest for the two financial years immediately preceding the date of this circular are set out below:

	Financial year ended 30 June 2007	Financial year ended 30 June 2008
Profit Sharing Arrangement	A loss before taxation of approximately HK\$840,000	A loss before taxation of approximately HK\$594,000
	A loss after taxation of approximately HK\$840,000	A loss after taxation of approximately HK\$594,000
Changde Equity Interest	A profit before taxation of approximately HK\$1,854,000	A profit before taxation of approximately HK\$13,107,000
	A profit after taxation of approximately HK\$1,386,000	A profit after taxation of approximately HK\$13,521,000
Hunan Equity Interest	A loss before taxation of approximately HK\$5,710,000	A loss before taxation of approximately HK\$16,718,000
	A loss after taxation of approximately HK\$5,710,000	A loss after taxation of approximately HK\$16,718,000

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Based on (i) the unaudited financial statements of the Changde JV and the Hunan JV as at 31 March 2009, (ii) the aggregate consideration of approximately RMB355,144,000 (approximately HK\$402,984,000) payable under the Sale Agreements, (iii) estimated tax and professional fees for the Disposal Transactions, and (iv) goodwill for the acquisition of the Changde JV and the Hunan JV, it is expected that a gain of approximately HK\$157,477,000 will be accrued to Aptus.

Based on the unaudited management accounts of the Changde JV and the Hunan JV as at 31 March 2009:

- (a) the consideration payable for the Changde Equity Interest (being RMB255,000,000 (approximately HK\$289,350,000)) represents approximately 108% over the net asset value of the Changde Equity Interest, being approximately RMB122,497,000 (approximately HK\$138,999,000); and
- (b) the consideration payable for the Hunan Equity Interest (being approximately RMB100,144,000 (approximately HK\$113,634,000)) represents approximately 254% over the net asset value of the Hunan Equity Interest, being approximately RMB28,276,000 (approximately HK\$32,085,000).

In relation to CVG

Based on the annual report of CVG for the year ended 30 June 2008, the net loss before and after taxation for the year ended 30 June 2008 was approximately HK\$111,123,000 and HK\$113,014,000 respectively. CVG recorded a positive net asset value of approximately HK\$2,268,311,000 as at 30 June 2008.

The net profits or losses attributable to the Profit Sharing Arrangement, the Changde Equity Interest and the Hunan Equity Interest for the two financial years immediately preceding the date of this circular are set out below:

	Financial year ended 30 June 2007	Financial year ended 30 June 2008
Profit Sharing Arrangement	A loss before taxation of approximately HK\$840,000	A loss before taxation of approximately HK\$594,000
	A loss after taxation of approximately HK\$840,000	A loss after taxation of approximately HK\$594,000

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

	Financial year ended 30 June 2007	Financial year ended 30 June 2008
Changde Equity Interest	A profit before taxation of approximately HK\$1,854,000	A profit before taxation of approximately HK\$13,107,000
	A profit after taxation of approximately HK\$1,386,000	A profit after taxation of approximately HK\$13,521,000
Hunan Equity Interest	A loss before taxation of approximately HK\$5,710,000	A loss before taxation of approximately HK\$16,718,000
	A loss after taxation of approximately HK\$5,710,000	A loss after taxation of approximately HK\$16,718,000

Based on (i) the unaudited financial statements of the Changde JV and the Hunan JV as at 31 March 2009, (ii) the aggregate consideration of approximately RMB355,144,000 (approximately HK\$402,984,000) payable under the Sale Agreements, (iii) estimated tax and professional fees for the Disposal Transactions, (iv) goodwill for the acquisition of the Changde JV and the Hunan JV and (v) goodwill for the acquisition of the Aptus Share(s) by CVG, it is expected that a gain of approximately HK\$61,158,000 will be accrued to CVG.

Based on the unaudited management accounts of the Changde JV and the Hunan JV as at 31 March 2009:

- (a) the consideration payable for the Changde Equity Interest (being RMB255,000,000 (approximately HK\$289,350,000)) represents approximately 108% over the net asset value of the Changde Equity Interest, being approximately RMB122,497,000 (approximately HK\$138,999,000); and
- (b) the consideration payable for the Hunan Equity Interest (being approximately RMB100,144,000 (approximately HK\$113,634,000)) represents approximately 254% over the net asset value of the Hunan Equity Interest, being approximately RMB28,276,000 (approximately HK\$32,085,000).

GENERAL INFORMATION

In relation to Aptus

The Aptus Group is principally engaged in the business of two natural gas related operations in the province of Hunan, the PRC, holding the Profit Sharing Arrangement and edible oil trading business via its non-listed Singapore subsidiary.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

In relation to CVG

The CVG Group is principally engaged in (i) the nationwide karaoke content management services system, a technology platform for intellectual property protection and value-added services in the entertainment sector in the PRC via Grand Promise; (ii) lottery-related businesses in the PRC via Bozone; (iii) distribution of natural supplementary products; and (iv) the oil and gas-related businesses in the PRC and an edible oil trading business via Aptus.

GEM LISTING RULES IMPLICATIONS

In relation to Aptus

In relation to Aptus, as the applicable ratio with respect to the Disposal Transactions is 75% or more, these transactions constitute a very substantial disposal for Aptus under Chapter 19 of the GEM Listing Rules and are subject to the approval of the Aptus Shareholders at an extraordinary general meeting to be convened. In this regard, please refer to the Notice of Aptus EGM set out in Appendix VIII to this circular for the full text of the resolution to be considered by the Aptus Shareholders and the section headed “Recommendation of the Aptus Directors” below for the recommendation of the Aptus Directors. As to whether the Disposal Transactions has any impact on the Aptus Group in relation to Rule 19.82 of the GEM Listing Rules (that is whether the assets of the Aptus Group consist of wholly or substantially of cash or short-dated securities), Aptus will reassess the situation upon or after completion of the Disposal Transactions.

In relation to CVG

As at the Latest Practicable Date, CVG is the holding company of Aptus indirectly interested in approximately 55.12% of the issued shares of Aptus.

In relation to CVG, as the applicable ratio with respect to the Disposal Transactions exceeds 25% but is less than 75%, these transactions constitute a major transaction for CVG under Chapter 19 of the GEM Listing Rules and are subject to the approval of the CVG Shareholders at a general meeting. Pursuant to Rule 19.44 of the GEM Listing Rules, written shareholders’ approval may be accepted in lieu of holding a meeting if no shareholder is required to abstain from voting if the listed issuer were to convene a general meeting for approval of the transaction and the written shareholders’ approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% in nominal value of the securities giving the right to attend and vote at that general meeting to approve the transaction. Best Frontier, being a controlling shareholder of CVG holding 2,095,857,322 CVG Shares representing approximately 65.25% of the issued share capital of CVG having the right to attend and vote at any general meeting of CVG has given its written approval of the Disposal Transactions. Since no CVG Shareholders will be required to abstain from voting if CVG were to convene a general meeting for approval of the Disposal Transactions and Best Frontier has already given its written approval, such written approval will be accepted in lieu of holding a general meeting of CVG pursuant to Rule 19.44 of the GEM Listing Rules.

JOINT LETTER FROM THE APTUS BOARD AND THE CVG BOARD

Should a general meeting of CVG be required to be held for the CVG Shareholders to consider and, if thought fit, approve the Disposal Transactions, the CVG Directors are of the opinion that, having considered the factors and reasons set out in the section headed “Reasons for, and Benefits of, Entering into the Transactions”, the Disposal Transactions are in the interests of the CVG Group and the CVG Shareholders as a whole and that the terms of the Disposal Transactions are fair and reasonable so far as the CVG Group and the CVG Shareholders are concerned. The CVG Board would recommend the CVG Shareholders to vote in favour of the resolution approving the Disposal Transactions should a general meeting of CVG is required to be held to approve the Disposal Transactions.

RECOMMENDATION OF THE APTUS DIRECTORS

The Aptus EGM will be held on 10 July 2009 at 10:00 a.m. for the Aptus Shareholders to consider and, if thought fit, pass the resolution set out in the Notice of Aptus EGM attached to this circular. Having considered the factors and reasons set out in the section headed “Reasons for, and Benefits of, Entering into the Transactions”, the Aptus Directors are of the opinion that entering into the Master Agreement, the Sale Agreements and the Termination Agreement are in the interests of the Aptus Group and the Aptus Shareholders as a whole and that the terms of the Master Agreement, the Sale Agreements and the Termination Agreement are fair and reasonable so far as the Aptus Group and the Aptus Shareholders are concerned. The Aptus Board recommends the Aptus Shareholders to vote in favour of the resolution set out in the Notice of Aptus EGM.

Evolution, being the beneficial owner of the Bond(s), and its associates are also holding 48,750,000 Aptus Shares entitling them to control the voting rights attaching to such shares as at the Latest Practicable Date which were borrowed by Evolution from Precise Result (a wholly-owned subsidiary of CVG and the immediate holding company of Aptus) pursuant to the stock lending agreement dated 22 November 2006 entered into between CVG and Evolution. Given that Evolution has a material interest in the transactions contemplated by the Sale Agreements as part of the proceeds from the disposals of the Changde Equity Interest and the Hunan Equity Interest will likely be applied to redeem the Bond(s), it and its associates will abstain from voting at the Aptus EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Aptus Holdings Limited
問博控股有限公司
Fung King Him Daniel
Director

Yours faithfully,
For and on behalf of the Board of
China Vanguard Group Limited
眾彩科技股份有限公司*
Chan Ting
Director

Management Discussion and Analysis of the Remaining Aptus Group

The principal activity of the Remaining Aptus Group would be the trading of edible oil via its non-listed Singapore subsidiary. The unaudited turnover of the Remaining Aptus Group for the nine months ended 31 March 2009 and each of the three years ended 30 June 2008, 2007 and 2006 (the “Relevant Period”) were approximately HK\$18,292,000, approximately HK\$39,562,000, approximately HK\$42,912,000 and approximately HK\$30,820,000 respectively. The unaudited turnover of the Remaining Aptus Group for the nine months ended 31 March 2008 was approximately HK\$38,917,000. Loss of the Remaining Aptus Group for the nine months ended 31 March 2009 and 2008 were approximately HK\$32,534,000 and approximately HK\$42,475,000 respectively. Profit/(loss) of the Remaining Aptus Group for each of the three years ended 30 June 2008, 2007 and 2006 were approximately HK\$115,006,000, approximately HK\$(20,986,000) and approximately HK\$(41,036,000) respectively. The net assets of the Remaining Aptus Group as at 31 March 2009, and 30 June 2008, 2007 and 2006 were approximately HK\$104,983,000, HK\$137,517,000, HK\$22,511,000 and HK\$43,497,000 respectively. The above results were based on the assumptions set out in Appendix III – Unaudited Pro Forma Financial Information on the Remaining Aptus Group of this circular.

Included in the results for the nine months ended 31 March 2008 and for each of the three years ended 30 June 2008, 2007 and 2006 were share option expenses of approximately HK\$7,674,000, approximately HK\$7,674,000, approximately HK\$54,913,000, and approximately HK\$23,207,000 respectively. No share option expense was recorded by the Remaining Aptus Group for the nine months ended 31 March 2009. During each of nine months ended 31 March 2009 and 2008, and each of the three years ended 30 June 2008 and 2007, imputed finance costs for the Bond(s) was approximately HK\$26,196,000, HK\$22,554,000, HK\$31,180,000 and HK\$19,856,000. No imputed finance cost was recorded by the Remaining Aptus Group during the year ended 30 June 2006 as the Remaining Aptus Group issued the Bond(s) during the year ended 30 June 2007 and in that year, approximately HK\$13,300,000 legal and professional fees were incurred by the Remaining Aptus Group for the investment in Hunan JV and Changde JV, and the issuance of the Remaining Aptus Group’s Bond(s). The change in Remaining Aptus Group’s financial results and the financial position during the Relevant Period were generally attributable to the above events.

Trading of edible oil is the only segment and significant investment of the Remaining Aptus Group for the Relevant Period. Steady turnover of the trading of edible oil during the Relevant Period was noted. When the global economy recovers, Aptus’ management expects that the business of trading edible oil will also recover. Further to this, management will focus its efforts in scaling up the operation of the edible oil trading segment as edible oils are recognised as essential nutrients in the human diet. The crude palm oil traded by Aptus is recognised as healthier than animal fat which is higher in cholesterol. Therefore, it is likely that the demand for plant-based edible oils will see continued growth in underlying demand due to global population growth and increasing health consciousness. Thus, the combination of an eventual recovery in the global economic environment and firm demand drivers for edible oils provides a positive medium and longer term backdrop for the edible oil trading operations. Consequently, the turnover of the Remaining Aptus Group is expected to experience strong growth in the coming years.

As at 31 March 2009 and 2008, and 30 June 2008, 2007 and 2006, cash and bank balances of the Remaining Aptus Group (excluding the proceeds from the Disposal Transactions and Termination Agreement) amounted to approximately HK\$1,743,000, approximately HK\$2,157,000, approximately HK\$3,373,000, approximately HK\$2,817,000 and approximately HK\$3,360,000 respectively. The Remaining Aptus Group's cash and bank balances were steady over the Relevant Period.

During the nine months ended 31 March 2009 and each of the two years ended 30 June 2008 and 2007, Aptus had Bond(s) outstanding with a principal amount of HK\$234,000,000, which is interest-bearing at 5% per annum from and including 21 May 2008 that is due on 21 November 2011 and with the yield to maturity of 11% per annum, calculated on a semi-annual basis, whereas there were no Bond(s) outstanding for the year ended 30 June 2006.

As at 31 March 2009 and 2008, and for each of the two years ended 30 June 2008 and 2007 the 100% of the issued share capital of Good United, a wholly-owned subsidiary of Aptus, was pledged in favor of the Bondholder(s). Good United held 70% equity interests in CNPC Energy whereas no assets were pledged as at 30 June 2006. The Remaining Aptus Group did not have any material contingent liabilities as at 31 March 2009 and 2008, and 30 June 2008, 2007 and 2006.

There were neither material acquisitions nor disposals of subsidiaries and associated companies in the Remaining Aptus Group during the nine months ended 31 March 2009 and 2008, and for each of the three years ended 30 June 2008, 2007 and 2006 respectively.

The gearing ratio of the Remaining Aptus Group, defined as the ratio between total borrowings and the Remaining Aptus Group's capital and reserves were approximately 70%, 1,166%, 220% and 311% as at 30 June 2006, 2007 and 2008 and 31 March 2009 respectively. The increase in gearing ratio was mainly attributable to the interests accrued for the bank and other borrowings, and the Bond(s). Should the proceeds of the Termination Agreement and the Disposal Transactions be used to settle the Remaining Aptus Group's borrowings and Bond(s), the gearing ratio will be lowered in the coming years.

During the Relevant Period, no significant exchange risk was expected as the Remaining Aptus Group's cash, borrowings, income and expenses were in Hong Kong dollars or US dollars. The Remaining Aptus Group did not perform any foreign currency hedging activities during the Relevant Period as no material fluctuation in Hong Kong dollars and US dollars was expected. Nevertheless, the Remaining Aptus Group will from time to time review and adjust its investment and financing strategies based on the exchange rate movement of US dollars, Hong Kong dollars and other currencies.

During the nine months ended 31 March 2009 and 2008, and for each of the three years ended 30 June 2008, 2007 and 2006 the Remaining Aptus Group employed a total of 17, 20, 17, 26 and 24 staff respectively. 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 Remaining Aptus 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. No share option scheme was newly adopted for the nine months ended 31 March 2009 and 2008, and for each of the three years ended 30 June 2008, 2007 and 2006 respectively.

With regard to prospects, in addition to the operation of the edible oil trading segment, over the past year and currently, the Aptus Group has been investigating opportunities in the following business areas:

- Oil and gas related assets in the PRC
- Other non-oil and gas related resource assets in the PRC
- Oil and gas related equipment and service provider in the PRC
- Other non-resource related ventures in the PRC

The management of the Aptus Group has identified two of the above as potentially very attractive and they are in varying stages of due diligence. The Aptus Group is currently working hard to bring new opportunities to fruition within a reasonable time frame. The proceeds of the Disposal Transactions are expected to be one of the sources of funding the corresponding projects in the coming year.

The following is the text of a report, prepared for inclusion in this circular, received from W.H. Tang & Partners CPA Limited, the independent reporting accountants.

鄧偉雄會計師事務所有限公司

Level 7, Parkview Centre,
7 Lau Li Street,
Causeway Bay, Hong Kong.

Tel : (852) 23426130
Fax : (852) 23426006

香港銅鑼灣琉璃街七號
栢景中心七樓

**W.H. TANG
& PARTNERS
CPA LIMITED**

24 June 2009

The Directors
Aptus Holdings Limited
Room 2201, 22/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Aptus Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for each of the three years ended 30 June 2006, 2007 and 2008 and the period from 1 July 2008 to 31 March 2009 (hereafter collectively referred to as the “Relevant Periods”), for inclusion in the circular dated 24 June 2009 (the “Circular”) issued by the Company in connection with the very substantial disposal relating to disposal of equity interests in joint ventures carrying out natural gas related business and termination of the profit sharing arrangement.

The Company was incorporated on 26 November 2001 in Cayman Islands as an exempted company with limited liability. The Company is an investment holding company.

At the date of this report, the Company had direct and indirect interests in the principal subsidiaries and jointly controlled entities as set out in notes 31 and 32, respectively.

We have acted as auditors of the Group for each of the Relevant Periods. Audited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) for each of the three years ended 30 June 2006, 2007 and 2008. For the purpose of this report, we have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the HKICPA on the consolidated financial statements of the Group for the nine months ended 31 March 2009, which were prepared in accordance with HKFRSs issued by the HKICPA.

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

We have examined the audited consolidated financial statements (the “Underlying Financial Statements”) of the Group for the Relevant Periods. Our examination was made in accordance with Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The consolidated income statements, consolidated cash flow statements and consolidated statements of changes in equity of the Group for each of the Relevant Periods and consolidated balance sheets as at 30 June 2006, 2007 and 2008 and 31 March 2009 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approve their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

For the financial information for the period from 1 July 2007 to 31 March 2008, it is our responsibility to form an independent conclusion, based on our review, on the financial information and to report our conclusion to you. We conducted our review on the financial information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review consists principally of making enquiries of the group management and applying analytical procedures to the financial information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information for the period from 1 July 2007 to 31 March 2008.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 30 June 2006, 2007 and 2008 and 31 March 2009 and of the consolidated results and cash flows of the Group for each of the three years ended 30 June 2006, 2007 and 2008 and the nine months ended 31 March 2009.

Based on our review for the purpose of this report, which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited financial information of the Company presented for the period from 1 July 2007 to 31 March 2008.

Your faithfully,
W.H. Tang & Partners CPA Limited
Certified Public Accountants
Hong Kong

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

I. FINANCIAL INFORMATION

Consolidated Income Statements

		(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
					For the	
					nine months	
					ended 31 March	
		For the year ended 30 June				
		2006	2007	2008	2008	2009
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Notes						
Revenue	8	30,820	57,655	105,355	86,899	91,163
Cost of sales		(29,963)	(54,140)	(86,969)	(74,073)	(73,083)
Gross profit		857	3,515	18,386	12,826	18,080
Other revenue	8	64	310	1,009	492	858
Selling and distribution costs		(420)	(3,254)	(13,598)	(10,487)	(12,633)
Administrative expenses		(40,085)	(86,810)	(25,764)	(20,555)	(8,912)
Finance costs	9	(1,438)	(24,396)	(37,485)	(27,186)	(31,752)
Share of result of an associate		–	–	(40)	(42)	124
Loss on disposal of an associate		–	–	–	–	(7)
Loss on deemed disposal of a subsidiary		–	–	(7)	(7)	–
Loss before taxation	10	(41,022)	(110,635)	(57,499)	(44,959)	(34,242)
Income tax	13	(14)	(464)	412	330	(363)
Loss for the year/period		<u>(41,036)</u>	<u>(111,099)</u>	<u>(57,087)</u>	<u>(44,629)</u>	<u>(34,605)</u>
Attributable to:						
Equity holders of the Company		(40,837)	(110,764)	(56,843)	(44,427)	(34,474)
Minority interests		<u>(199)</u>	<u>(335)</u>	<u>(244)</u>	<u>(202)</u>	<u>(131)</u>
		<u>(41,036)</u>	<u>(111,099)</u>	<u>(57,087)</u>	<u>(44,629)</u>	<u>(34,605)</u>
		HK cents	HK cents	HK cents	HK cents	HK cents
Loss per share						
– Basic	14	<u>(2.53)</u>	<u>(6.61)</u>	<u>(3.33)</u>	<u>(2.62)</u>	<u>(1.96)</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Consolidated Balance Sheets

		(Audited)	(Audited)	(Audited)	(Audited)
			At 30 June		At 31
		2006	2007	2008	March
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2009
					HK\$'000
Non-current assets					
Property, plant and equipment	16	173	183,140	218,006	236,765
Interest in an associate	17	–	–	1,889	–
Goodwill	18	31,761	81,215	81,215	81,215
Construction in progress	19	–	14,004	6,912	1,240
Prepaid lease payments	20	–	12,496	15,502	15,466
		<u>31,934</u>	<u>290,855</u>	<u>323,524</u>	<u>334,686</u>
Current assets					
Inventories	21	–	2,133	4,306	2,438
Accounts receivables	22	–	1,509	610	1,428
Prepaid lease payments	20	–	380	452	411
Prepayments, deposits and other receivables	23	41,691	35,671	38,385	40,242
Tax recoverable		–	–	680	–
Bank balances and cash	24	3,360	49,110	40,629	37,648
		<u>45,051</u>	<u>88,803</u>	<u>85,062</u>	<u>82,167</u>
Current liabilities					
Accounts payables	25	266	10,305	6,823	4,002
Accrued liabilities and other payables		2,655	9,487	19,555	26,625
Tax payable		14	688	–	823
Bank and other borrowings	26	8,053	2,125	11,344	9,578
		<u>10,988</u>	<u>22,605</u>	<u>37,722</u>	<u>41,028</u>
Net current assets		<u>34,063</u>	<u>66,198</u>	<u>47,340</u>	<u>41,139</u>
Total assets less current liabilities		<u>65,997</u>	<u>357,053</u>	<u>370,864</u>	<u>375,825</u>
Capital and reserves					
Share capital	27	16,681	16,979	17,444	17,628
Reserves		12,743	(24,487)	(50,433)	(83,782)
Equity attributable to equity holders of the Company		29,424	(7,508)	(32,989)	(66,154)
Minority interests		14,073	15,312	15,278	15,082
		<u>43,497</u>	<u>7,804</u>	<u>(17,711)</u>	<u>(51,072)</u>
Non-current liabilities					
Bank and other borrowings	26	22,500	106,105	114,251	132,227
Convertible bonds	28	–	243,144	274,324	294,670
		<u>22,500</u>	<u>349,249</u>	<u>388,575</u>	<u>426,897</u>
		<u>65,997</u>	<u>357,053</u>	<u>370,864</u>	<u>375,825</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Consolidated Statement of Changes in Equity

	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	Equity attributable to equity holders of the Company									
	Share capital	Share option reserve	Convertible bonds reserve	Translation reserve	Share premium account	Capital reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2005	15,501	–	–	7	55,408	15,826	(73,888)	12,854	108	12,962
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	332	–	–	–	332	12	344
Net income and expenses recognized directly in equity	15,501	–	–	339	55,408	15,826	(73,888)	13,186	120	13,306
Loss for the year	–	–	–	–	–	–	(40,837)	(40,837)	(199)	(41,036)
Total income and expenses recognized for the year	15,501	–	–	339	55,408	15,826	(114,725)	(27,651)	(79)	(27,730)
Shares issued on exercise of options	980	–	–	–	8,888	–	–	9,868	–	9,868
Shares issued pursuant to sales and purchase agreement	200	–	–	–	23,800	–	–	24,000	–	24,000
Acquisition of subsidiary	–	–	–	–	–	–	–	–	14,152	14,152
Recognition of equity-settled share based payments	–	23,207	–	–	–	–	–	23,207	–	23,207
At 30 June 2006 and at 1 July 2006	16,681	23,207	–	339	88,096	15,826	(114,725)	29,424	14,073	43,497
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	5,045	–	–	–	5,045	837	5,882
Net income and expenses recognized directly in equity	16,681	23,207	–	5,384	88,096	15,826	(114,725)	34,469	14,910	49,379
Loss for the year	–	–	–	–	–	–	(110,764)	(110,764)	(335)	(111,099)
Total income and expenses recognized for the year	16,681	23,207	–	5,384	88,096	15,826	(225,489)	(76,295)	14,575	(61,720)
Shares issued on exercise of options	298	–	–	–	2,864	–	–	3,162	–	3,162
Acquisition of jointly controlled entities	–	–	–	–	–	–	–	–	737	737
Recognition of equity-settled share based payments	–	54,913	–	–	–	–	–	54,913	–	54,913
Recognition of equity components of convertible bonds	–	–	10,712	–	–	–	–	10,712	–	10,712
At 30 June 2007	16,979	78,120	10,712	5,384	90,960	15,826	(225,489)	(7,508)	15,312	7,804

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	Equity attributable to equity holders of the Company									
	Share capital	Share option reserve	Convertible bonds reserve	Translation reserve	Share premium account	Capital reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	16,979	78,120	10,712	5,384	90,960	15,826	(225,489)	(7,508)	15,312	7,804
Released on deemed disposal of a subsidiary	–	–	–	(12)	–	–	–	(12)	(737)	(749)
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	19,144	–	–	–	19,144	947	20,091
Net income and expenses recognized directly in equity	16,979	78,120	10,712	24,516	90,960	15,826	(225,489)	11,624	15,522	27,146
Loss for the year	–	–	–	–	–	–	(56,843)	(56,843)	(244)	(57,087)
Total income and expenses recognized for the year	16,979	78,120	10,712	24,516	90,960	15,826	(282,332)	(45,219)	15,278	(29,941)
Shares issued on exercise of options	465	–	–	–	4,091	–	–	4,556	–	4,556
Recognition of equity-settled share based payments	–	7,674	–	–	–	–	–	7,674	–	7,674
Transfer to accumulated losses due to lapse of share options	–	(85,794)	–	–	–	–	85,794	–	–	–
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	–	–	–	(546)	–	–	–	(546)	(65)	(611)
Net income and expenses recognized directly in equity	17,444	–	10,712	23,970	95,051	15,826	(196,538)	(33,535)	15,213	(18,322)
Loss for the period	–	–	–	–	–	–	(34,474)	(34,474)	(131)	(34,605)
Total income and expenses recognized for the period	17,444	–	10,712	23,970	95,051	15,826	(231,012)	(68,009)	15,082	(52,927)
Shares issued on exercise of options	184	–	–	–	1,671	–	–	1,855	–	1,855
At 31 March 2009	<u>17,628</u>	<u>–</u>	<u>10,712</u>	<u>23,970</u>	<u>96,722</u>	<u>15,826</u>	<u>(231,012)</u>	<u>(66,154)</u>	<u>15,082</u>	<u>(51,072)</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

(Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited) (Unaudited)

Equity attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Convertible bonds reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 July 2007	16,979	78,120	10,712	5,384	90,960	15,826	(225,489)	(7,508)	15,312	7,804
Released on deemed disposal of a subsidiary	–	–	–	(12)	–	–	–	(12)	(737)	(749)
Exchange differences arising from translation of financial statements of overseas operations	–	–	–	14,455	–	–	–	14,455	766	15,221
Net income and expenses recognized directly in equity	16,979	78,120	10,712	19,827	90,960	15,826	(225,489)	6,935	15,341	22,276
Loss for the period	–	–	–	–	–	–	(44,427)	(44,427)	(202)	(44,629)
Total income and expenses recognized for the period	16,979	78,120	10,712	19,827	90,960	15,826	(269,916)	(37,492)	15,139	(22,353)
Shares issued on exercise of options	9	–	–	–	96	–	–	105	–	105
Recognition of equity-settled share based payments	–	7,674	–	–	–	–	–	7,674	–	7,674
At 31 March 2008	<u>16,988</u>	<u>85,794</u>	<u>10,712</u>	<u>19,827</u>	<u>91,056</u>	<u>15,826</u>	<u>(269,916)</u>	<u>(29,713)</u>	<u>15,139</u>	<u>(14,574)</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Consolidated Cash Flow Statements

	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
	For the year ended 30 June			For the nine months ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES					
Loss before taxation	(41,022)	(110,635)	(57,499)	(44,959)	(34,242)
Adjustment for:					
Depreciation of property, plant and equipment	31	4,211	17,719	13,216	14,671
Interest income	(109)	(598)	(707)	(453)	(497)
Finance costs	1,438	24,396	37,485	27,186	31,752
Amortization of prepaid lease payments	–	152	461	405	357
Share option expenses	23,207	54,913	7,674	7,674	–
Loss on deemed disposal of a subsidiary	–	–	7	7	–
Loss on disposal of an associate	–	–	–	–	7
Impairment loss on goodwill	3,361	–	–	–	–
Loss on disposal of property, plant and equipment	–	65	–	–	2
Allowance for doubtful receivable	–	–	856	856	–
Share of result of an associate	–	–	40	42	(124)
Operating cash flows before movements in working capital	(13,094)	(27,496)	6,036	3,974	11,926
(Increase) decrease in inventories	–	1,798	(2,318)	(1,045)	1,868
(Increase) decrease in accounts receivables	9,605	(1,071)	(28)	(769)	(820)
(Increase) decrease in prepayment, deposits and other receivables	(29,718)	10,225	(2,718)	(4,996)	(1,857)
Decrease in accounts payables	(9,283)	(8,621)	(3,446)	(2,164)	(2,821)
Increase (decrease) in accrued liabilities and other payables	(947)	243	9,172	11,032	7,070
Cash generated from (used in) operations	(43,437)	(24,922)	6,698	6,032	15,366
Tax (paid) refund	(5)	(1,364)	(1,071)	(1,214)	1,140
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	(43,442)	(26,286)	5,627	4,818	16,506

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
	For the year ended 30 June			For the nine months ended 31 March	
	2006	2007	2008	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
INVESTING ACTIVITIES					
Interest received	109	598	707	453	497
Purchase of construction in progress	–	(5,871)	(17,249)	(16,893)	(21,387)
Additions of prepaid lease payments	–	(99)	(2,191)	(2,191)	(316)
Deemed disposal of a subsidiary	–	–	(208)	(208)	–
Acquisition of jointly controlled entities	–	(120,902)	–	–	–
Acquisition of a subsidiary	(4,981)	–	–	–	–
Purchase of property, plant and equipment	(24)	(1,650)	(10,666)	(10,611)	(6,986)
Sales proceeds from disposal of an associate	–	–	–	–	2,006
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,006</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(4,896)</u>	<u>(127,924)</u>	<u>(29,607)</u>	<u>(29,450)</u>	<u>(26,186)</u>
FINANCING ACTIVITIES					
Interest paid	(22)	(2,908)	(5,223)	(4,632)	(11,406)
Issue of shares	9,868	3,162	4,556	105	1,855
Proceed from issue of convertible bonds	–	234,000	–	–	–
Net raising (repayment) of borrowings	30,553	(38,532)	7,879	7,485	15,431
	<u>30,553</u>	<u>(38,532)</u>	<u>7,879</u>	<u>7,485</u>	<u>15,431</u>
NET CASH GENERATED FROM FINANCING ACTIVITIES	<u>40,399</u>	<u>195,722</u>	<u>7,212</u>	<u>2,958</u>	<u>5,880</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7,939)</u>	<u>41,512</u>	<u>(16,768)</u>	<u>(21,674)</u>	<u>(3,800)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	10,955	3,360	49,110	49,110	40,629
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>344</u>	<u>4,238</u>	<u>8,287</u>	<u>7,290</u>	<u>819</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	<u><u>3,360</u></u>	<u><u>49,110</u></u>	<u><u>40,629</u></u>	<u><u>34,726</u></u>	<u><u>37,648</u></u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by					
Bank balances and cash	<u>3,360</u>	<u>49,110</u>	<u>40,629</u>	<u>34,726</u>	<u>37,648</u>

II. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Aptus Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liabilities and its shares are listed on the Growth Enterprise Market (“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 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 31 and 32 respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)

In preparing the Financial Information, the Group has applied, for the first time, a number of new standard, amendments and interpretations (new “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for accounting periods beginning on or after 1 July 2008.

HK(IFRIC)-INT 12	Service concession arrangement
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 application of the new or amended HKFRSs had no material effect on how the Group’s 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 yet early applied the following new standards, amendments and interpretations that have been issue but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible hedged items ⁶
HKFRS 1 & HKAS 27 (Amendment)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Share-Based Payment – Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combination ³
HKFRS 7 (Amendment)	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁶
HK(IFRIC) – Int 15	Agreement for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operations ⁴
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owner ³
HK(IFRIC) – Int 18	Transfers of Assets from Customers ⁵

- ¹ Effective for annual periods beginning on or after 1 January 2009 except for 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.
- ³ Effective for annual periods beginning on or after 1 July 2009.
- ⁴ Effective for annual periods beginning on or after 1 October 2008.
- ⁵ Effective for transfer of assets from customers received on or after 1 July 2009.
- ⁶ Effective for financial periods ending on or after 30 June 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 these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, issued by the HKICPA, accounting principles generally accepted in Hong Kong ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations), and accounting principles generally accepted 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 Financial Information 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.

The presentation of the Financial Information in conformity with HKFRSs requires management to make judgements estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period, which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future period.

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 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.

Business combinations

The acquisition of subsidiaries 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 HKFRS 3 "Business Combinations" are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sales in accordance with HKFRS 5 "Non-current Assets Held for Sales and Discounted 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 is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Interest 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 subsidiary.

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 is 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.

Goodwill

Goodwill arising on an acquisition of a subsidiary 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 group's or 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 period.

On subsequent disposal of a subsidiary 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 the normal course of business, net of discounts and sales related taxes.

Revenue from sales of gas and gas appliances are recognized when goods are delivered and title has been passed.

Gas transportation revenue and gas connection fee income are recognized when the corresponding services are performed.

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 computer equipment, are stated as 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 item of property, plant and equipment to its working condition and location for its intended use. Expenditure incurred after items of 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 situation 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 item of 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 use 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 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.

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 or 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 a 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 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 substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit, and are 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 and associates, 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 profits 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 period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, 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 its 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.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (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 recognized 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 operating is disposed of.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 July 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are recognized in the translation reserve.

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 balance sheet, cash and cash equivalents comprise cash on hand and at bank, including term deposits, 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.

Employment benefits*(a) Retirement benefits scheme*

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.

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 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.

Financial instruments

Financial assets and financial liabilities are recognized on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. 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) 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.

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 on 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.

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 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.

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 Group's financial liabilities are generally classified into financial liabilities at fair value through profit or loss and other financial 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 a 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.

Convertible loan notes

Convertible loan notes issued by the Company that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option will be settled by the exchange of a fixed amount of cash or another financial assets 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 loan notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan notes into equity, is included in equity (convertible loan notes equity reserve).

In subsequent periods, the liability component of the convertible loan notes 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 loan notes equity reserve until the conversion option is exercised (in which case the balance stated in convertible loan notes equity reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible loan notes equity reserve will be released to the retained profits. No gain or loss is recognized in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible loan notes 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 component and amortized over the period of the convertible loan notes using the effective interest method.

Equity instruments

Equity instruments issued by the Group 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 of 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 receivable 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 expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

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 recognised 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.

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 JUDGMENTS 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.

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 31 March 2009, the carrying amount of goodwill is approximately HK\$81,215,000 (30 June 2008: HK\$81,215,000, 30 June 2007: HK\$81,215,000 and 30 June 2006: HK\$31,761,000) with no impairment loss recognized. Details of impairment test for goodwill are set out in note 18.

Income taxes

For the Relevant Periods, no deferred tax asset was recognized in the Group's consolidated balance sheet as at 31 March 2009 in relation to the estimated unused tax losses of approximately HK\$15,810,000 (30 June 2008: HK\$20,632,000, 30 June 2007: HK\$11,804,000, 30 June 2006: HK\$5,403,000 and 31 March 2008: HK\$16,799,000) 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 29 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.

Convertible bonds

Referring to the agreement entered into between the Company and the holder(s) of convertible bonds (the "Bondholders") dated 2 November 2006, on each of 21 November 2008, 21 November 2009 and 21 November 2010 (each a "Put Option Date"), each Bondholder will have the right to require the Company to redeem in whole or in part of the convertible bonds of such Bondholder(s) on the Put Option Date together with interest accrued to the Put Option Date. Any early redemption request from the Bondholders will cause unexpected cash outflow from the Company and will have an impact on the going concern of the Company. Up to the date of the financial statements approved by the Board, the Company did not receive request from any Bondholder to redeem the convertible bonds on the forthcoming Put Option Dates. As such, in the opinion of the directors, the Company did not have going concern problem as at the balance sheet date and the liability portion of the convertible bonds is classified under non-current liabilities.

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 borrowings and convertible bonds disclosed in notes 26 and 28 respectively, and equity attributable to equity holders of the Company, comprising issued share capital disclosed in note 27, 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

	2006	At 30 June 2007	2008	At 31 March 2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	45,051	86,290	79,624	79,318
Financial liabilities				
Amortized cost	33,474	371,166	426,297	467,102

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include accounts receivables, prepayments, deposit and other receivables, bank balances and cash, accounts payables, accrued liabilities and other payables, 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 respective balance sheet dates, 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.

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 each 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 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			
	30-6-2006	30-6-2007	30-6-2008	31-3-2009	30-6-2006	30-6-2007	30-6-2008	31-3-2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
SGD	1,136	262	180	1,267	519	243	17	756
Hong Kong Dollars	22,984	82,648	82,977	44,745	32,284	265,911	307,508	335,222
USD	163	1,180	1,575	147	–	10	441	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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.

During the Relevant Periods, the Group mainly operated in the People's Republic of China and the majority of the Group's transactions and balances were denominated in RMB. The directors consider that the currency risk is not significant and the Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

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 26.

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.

Sensitive analysis

At 31 March 2009, it is estimated that a general increase or decrease of 100 basis points in interest rates on HK\$ denominated borrowings, with all other variable held constant, would increase/decrease the Group's loss by approximately HK\$300,000 (30 June 2008: HK\$278,000, 30 June 2007: HK\$194,000 and 30 June 2006: HK\$100,000). 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 the balances as at 30 June 2008, 2007 and 2006.

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

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.

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:

As at 30 June 2006

	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	266	266	266	–	–	–
Accrued liabilities and other payables	2,655	2,655	2,655	–	–	–
Bank and other borrowings	30,553	30,553	8,053	22,500	–	–
	<u>33,474</u>	<u>33,474</u>	<u>10,974</u>	<u>22,500</u>	<u>–</u>	<u>–</u>

At 30 June 2007

	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	10,305	10,305	10,305	–	–	–
Accrued liabilities and other payables	9,487	9,487	9,487	–	–	–
Bank and other borrowings	108,230	108,230	2,125	28,031	63,307	14,767
Convertible bonds	243,144	243,144	–	–	243,144	–
	<u>371,166</u>	<u>371,166</u>	<u>21,917</u>	<u>28,031</u>	<u>306,451</u>	<u>14,767</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

At 30 June 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	125,595	11,344	63,704	40,054	10,493
Convertible bonds	274,324	274,324	–	–	274,324	–
	<u>426,297</u>	<u>426,297</u>	<u>37,722</u>	<u>63,704</u>	<u>314,378</u>	<u>10,493</u>

At 31 March 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	4,002	4,002	4,002	–	–	–
Accrued liabilities and other payables	26,625	26,625	26,625	–	–	–
Bank and other borrowings	141,805	141,805	9,578	84,985	43,705	3,537
Convertible bonds	294,670	294,670	–	–	294,670	–
	<u>467,102</u>	<u>467,102</u>	<u>40,205</u>	<u>84,985</u>	<u>338,375</u>	<u>3,537</u>

Fair value

The fair value of the Group's financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis or using prices from observable current market transactions.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate their fair values.

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

7. SEGMENT INFORMATION

Business segments

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

Summary details of the business segments are as follows:

Year ended 30 June 2006

	Gas related <i>HK\$'000</i>	Profit sharing on oil field <i>HK\$'000</i>	Distribution of edible oil <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:				
Sales to external customers	<u>–</u>	<u>–</u>	<u>30,820</u>	<u>30,820</u>
Segment results	<u>–</u>	<u>(470)</u>	<u>(90)</u>	<u>(560)</u>
Unallocated income				81
Unallocated expenses				(39,105)
Finance costs				<u>(1,438)</u>
Loss before taxation				(41,022)
Income tax				<u>(14)</u>
Loss for the year				<u>(41,036)</u>
Segment assets	–	41,913	1,298	43,211
Unallocated assets				<u>33,774</u>
Total assets				<u>76,985</u>
Segment liabilities	–	661	519	1,180
Unallocated liabilities				<u>32,308</u>
Total liabilities				<u>33,488</u>
Other segment information:				
Depreciation of property, plant and equipment – unallocated				<u>31</u>
Capital expenditure – unallocated				<u>24</u>
Impairment loss on goodwill recognized in the income statement	–	–	3,361	<u>3,361</u>
Other non-cash expenses – unallocated				<u>23,207</u>

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Year ended 30 June 2007

	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Distribution of edible oil HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	14,743	–	42,912	57,655
Segment results	(1,922)	(1,187)	123	(2,986)
Unallocated income				390
Unallocated expenses				(83,643)
Finance costs				(24,396)
Loss before taxation				(110,635)
Income tax				(464)
Loss for the year				(111,099)
Segment assets	265,122	30,419	1,442	296,983
Unallocated assets				82,675
Total assets				379,658
Segment liabilities	104,709	1,233	531	106,473
Unallocated liabilities				22,237
Convertible bonds				243,144
Total liabilities				371,854
Other segment information:				
Depreciation of property, plant and equipment	4,194	–	–	4,194
Unallocated				17
				4,211
Amortization of prepaid lease payments	152	–	–	152
Capital expenditure	1,650	–	–	1,650
Other non-cash expenses – unallocated				74,769

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Year ended 30 June 2008

	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Distribution of edible oil HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	65,793	–	39,562	105,355
Segment results	836	(840)	(28)	(32)
Unallocated income				10
Unallocated expenses				(19,945)
Finance costs				(37,485)
Share of result of an associate				(40)
Loss on deemed disposal of a subsidiary				(7)
Loss before taxation				(57,499)
Income tax				412
Loss for the year				(57,087)
Segment assets	290,486	33,126	1,754	325,366
Unallocated assets				83,220
Total assets				408,586
Segment liabilities	117,157	1,672	457	119,286
Unallocated liabilities				32,687
Convertible bonds				274,324
Total liabilities				426,297
Other segment information:				
Depreciation of property, plant and equipment	17,673	33	–	17,706
Unallocated				13
				17,719
Amortization of prepaid lease payments	461	–	–	461
Capital expenditure	12,837	2	–	12,839
Allowance for doubtful receivable	856	–	–	856
Other non-cash expenses – unallocated				38,854

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Period ended 31 March 2009

	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Distribution of edible oil HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	72,871	–	18,292	91,163
Segment results	2,317	(363)	3	1,957
Unallocated income				1
Unallocated expenses				(4,565)
Finance costs				(31,752)
Share of result of an associate				124
Loss on disposal of an associate				(7)
Loss before taxation				(34,242)
Income tax				(363)
Loss for the period				(34,605)
Segment assets	300,617	33,113	1,272	335,002
Unallocated assets				81,851
Total assets				416,853
Segment liabilities	129,620	1,604	100	131,324
Unallocated liabilities				41,931
Convertible bonds				294,670
Total liabilities				467,925
Other segment information:				
Depreciation of property, plant and equipment	14,635	26	–	14,661
Unallocated				10
				14,671
Amortization of prepaid lease payments	357	–	–	357
Capital expenditure	28,372	–	–	28,372
Unallocated				1
				28,373
Other non-cash expenses – unallocated				26,196

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Period ended 31 March 2008

	Gas related HK\$'000	Profit sharing on oil field HK\$'000	Distribution of edible oil HK\$'000	Total HK\$'000
Segment revenue:				
Sales to external customers	47,982	–	38,917	86,899
Segment results	949	(709)	38	278
Unallocated income				9
Unallocated expenses				(18,011)
Finance costs				(27,186)
Share of result of an associate				(42)
Loss on deemed disposal of a subsidiary				(7)
Loss before taxation				(44,959)
Income tax				330
Loss for the period				(44,629)
Segment assets	284,751	32,639	1,842	319,232
Unallocated assets				81,629
Total assets				400,861
Segment liabilities	114,276	1,798	471	116,545
Unallocated liabilities				33,191
Convertible bonds				265,699
Total liabilities				415,435
Other segment information:				
Depreciation of property, plant and equipment	13,182	24	–	13,206
Unallocated				10
				13,216
Amortization of prepaid lease payments	405	–	–	405
Capital expenditure	9,638	–	–	9,638
Allowance for doubtful receivable	856	–	–	856
Other non-cash expenses – unallocated				27,064

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Geographical segments

Year ended 30 June 2006

	Revenue <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
PRC	–	(470)	41,913	–
Hong Kong	–	–	33,774	24
South East Asia	30,204	(88)	1,298	–
Europe	616	(2)	–	–
	<u>30,820</u>	<u>(560)</u>	<u>76,985</u>	<u>24</u>
Unallocated income		81		
Unallocated expenses		(39,105)		
Finance costs		<u>(1,438)</u>		
Loss before taxation		(41,022)		
Income tax expenses		<u>(14)</u>		
Loss for the year		<u>(41,036)</u>		

Year ended 30 June 2007

	Revenue <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
PRC	14,743	(3,109)	295,541	1,650
Hong Kong	–	–	82,675	–
South East Asia	42,232	121	1,442	–
Europe	680	2	–	–
	<u>57,655</u>	<u>(2,986)</u>	<u>379,658</u>	<u>1,650</u>
Unallocated income		390		
Unallocated expenses		(83,643)		
Finance costs		<u>(24,396)</u>		
Loss before taxation		(110,635)		
Income tax expenses		<u>(464)</u>		
Loss for the year		<u>(111,099)</u>		

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Year ended 30 June 2008

	Revenue <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
PRC	65,793	(4)	323,612	12,839
Hong Kong	–	–	83,220	–
South East Asia	39,562	(28)	1,754	–
	<u>105,355</u>	<u>(32)</u>	<u>408,586</u>	<u>12,839</u>
Unallocated income		10		
Unallocated expenses		(19,945)		
Finance costs		(37,485)		
Share of result of an associate		(40)		
Loss on deemed disposal of a subsidiary		<u>(7)</u>		
Loss before taxation		(57,499)		
Income tax expenses		<u>412</u>		
Loss for the year		<u><u>(57,087)</u></u>		

Period ended 31 March 2009

	Revenue <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>
PRC	72,871	1,954	333,730	28,372
Hong Kong	–	–	81,851	1
South East Asia	18,292	3	1,272	–
	<u>91,163</u>	<u>1,957</u>	<u>416,853</u>	<u>28,373</u>
Unallocated income		1		
Unallocated expenses		(4,565)		
Finance costs		(31,752)		
Share of result of an associate		124		
Loss on disposal of an associate		<u>(7)</u>		
Loss before taxation		(34,242)		
Income tax expenses		<u>(363)</u>		
Loss for the period		<u><u>(34,605)</u></u>		

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Period ended 31 March 2008

	Revenue HK\$'000	Segment results HK\$'000	Segment assets HK\$'000	Capital expenditure HK\$'000
PRC	47,982	240	317,390	9,638
Hong Kong	–	–	81,629	–
South East Asia	38,917	38	1,842	–
	<u>86,899</u>	<u>278</u>	<u>400,861</u>	<u>9,638</u>
Unallocated income		9		
Unallocated expenses		(18,011)		
Finance costs		(27,186)		
Share of result of an associate		(42)		
Loss on deemed disposal of a subsidiary		<u>(7)</u>		
Loss before taxation		(44,959)		
Income tax expenses		<u>330</u>		
Loss for the period		<u>(44,629)</u>		

8. REVENUE AND OTHER REVENUE

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

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

	Year ended 30 June			Period ended 31 March	
	2006 HK\$'000	2007 HK\$'000	2008 HK\$'000	2008 HK\$'000	2009 HK\$'000
Revenue					
Sales of goods	30,820	52,728	81,407	69,916	72,297
Gas transportation	–	644	2,787	2,093	3,220
Installation income for gas connection	<u>–</u>	<u>4,283</u>	<u>21,161</u>	<u>14,890</u>	<u>15,646</u>
	<u>30,820</u>	<u>57,655</u>	<u>105,355</u>	<u>86,899</u>	<u>91,163</u>
Other revenue					
Interest income	109	598	707	453	497
Rental income	–	–	290	–	279
Sundry income	–	165	132	39	82
Exchange losses, net	<u>(45)</u>	<u>(453)</u>	<u>(120)</u>	<u>–</u>	<u>–</u>
	<u>64</u>	<u>310</u>	<u>1,009</u>	<u>492</u>	<u>858</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

9. FINANCE COSTS

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:					
– borrowing wholly repayable within five years	1,438	2,606	1,957	1,449	1,545
– borrowings wholly repayable after five years	–	1,934	4,348	3,183	4,011
– convertible bonds	–	19,856	31,180	22,554	26,196
	<u>1,438</u>	<u>24,396</u>	<u>37,485</u>	<u>27,186</u>	<u>31,752</u>

10. LOSS BEFORE TAXATION

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before taxation has been arrived arrived at after charging:					
Staff costs (excluding directors' emoluments – note 11)					
– Wages and salaries	4,272	8,902	9,839	7,772	5,180
– Retirement benefits scheme contributions	<u>134</u>	<u>162</u>	<u>111</u>	<u>84</u>	<u>15</u>
Total staff costs	<u>4,406</u>	<u>9,064</u>	<u>9,950</u>	<u>7,856</u>	<u>5,195</u>
Cost of inventories sold	29,963	54,140	86,969	74,073	73,083
Auditors' remuneration	200	350	392	–	486
Depreciation of property, plant and equipment	31	4,211	17,719	13,216	14,671
Impairment loss on goodwill	3,361	–	–	–	–
Share option expenses	23,207	54,913	7,674	7,674	–
Minimum lease payments under operating leases:					
– Land and buildings	795	1,248	1,064	909	375
Loss on disposal of property, plant equipment	–	65	–	–	2
Allowance for doubtful receivable	–	–	856	856	–
Amortization of prepaid lease payments	<u>–</u>	<u>152</u>	<u>461</u>	<u>405</u>	<u>357</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Emoluments paid or payable to each of the directors were as follows:

For the year ended 30 June 2006	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Executive Directors:				
Cheung Kwai Lan	24	1,950	–	1,974
Chan Ting	24	1,300	12	1,336
Fung King Him, Daniel	24	405	12	441
Independent Non-executive Directors:				
Tsui Wing Tak (<i>Note 1</i>)	13	–	–	13
Tian He Nian	39	–	–	39
Zhao Zhi Ming	39	–	–	39
To Yan Ming, Edmond (<i>Note 2</i>)	22	–	–	22
	<u>185</u>	<u>3,655</u>	<u>24</u>	<u>3,864</u>
For the year ended 30 June 2007	Fees HK\$'000	Salaries and other benefits HK\$'000	Contributions to retirement benefits schemes HK\$'000	Total HK\$'000
Executive Directors:				
Cheung Kwai Lan	24	1,950	–	1,974
Chan Ting	24	1,300	12	1,336
Fung King Him, Daniel	24	562	12	598
Independent Non-executive Directors:				
Tian He Nian	39	–	–	39
Zhao Zhi Ming	39	–	–	39
To Yan Ming, Edmond	47	–	–	47
	<u>197</u>	<u>3,812</u>	<u>24</u>	<u>4,033</u>

Notes:

- resigned on 11 January 2006
- appointed on 11 January 2006

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

For the year ended 30 June 2008	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 (<i>Note 1</i>)	90	–	–	90
To Yan Ming, Edmond	47	–	–	47
	<u>287</u>	<u>4,626</u>	<u>21</u>	<u>4,934</u>

For the period ended 31 March 2008	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors:				
Cheung Kwai Lan	18	2,400	–	2,418
Chan Ting	18	1,600	9	1,627
Fung King Him, Daniel	18	470	9	497
Independent Non-executive Directors:				
Tian He Nian	30	–	–	30
Zhao Zhi Ming	30	–	–	30
Zhang Xiu Fu (<i>Note 1</i>)	60	–	–	60
To Yan Ming, Edmond	35	–	–	35
	<u>209</u>	<u>4,470</u>	<u>18</u>	<u>4,697</u>

For the period ended 31 March 2009	Fees <i>HK\$'000</i>	Salaries and other benefits <i>HK\$'000</i>	Contributions to retirement benefits schemes <i>HK\$'000</i>	Total <i>HK\$'000</i>
Executive Directors:				
Cheung Kwai Lan	18	–	–	18
Chan Ting	18	–	1	19
Fung King Him, Daniel	18	522	9	549
Independent Non-executive Directors:				
Tian He Nian	58	–	–	58
Zhao Zhi Ming	58	–	–	58
Zhang Xiu Fu (<i>Note 1</i>)	90	–	–	90
Zou Qi Jun (<i>Note 2</i>)	44	–	–	44
To Yan Ming, Edmond	35	–	–	35
	<u>339</u>	<u>522</u>	<u>10</u>	<u>871</u>

Notes:

1. appointed on 25 January 2008
2. appointed on 9 September 2008

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

(b) Senior management emoluments

Of the five individuals whose emoluments were the highest in the Group for the each of the three years ended 30 June 2006, 2007 and 2008 and the periods ended 31 March 2008 and 2009, 3, 3, 3, 3 and 2 respectively were directors whose emoluments are set out in the above. The emoluments of the remaining individuals were as follows:

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances and other benefits	1,905	4,069	2,146	1,837	688
Contributions to retirement benefits scheme	23	24	19	16	22
	<u>1,928</u>	<u>4,093</u>	<u>2,165</u>	<u>1,853</u>	<u>710</u>

The emoluments fell with the following bands:

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
Emoluments bands					
Nil-HK\$1,000,000	1	–	1	2	3
HK\$1,000,001-HK\$2,000,000	1	1	1	–	–
HK\$2,000,001-HK\$3,000,000	–	1	–	–	–
	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>

During the balance sheet date and the relevant periods, no emoluments have been paid by the Group to the non-directors and the highest paid individuals are an inducement to join the Group, or as compensation for loss of office.

12. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wages and salaries	8,112	12,911	14,752	12,451	6,293
Pension cost – defined contribution plans	158	186	132	102	36
	<u>8,270</u>	<u>13,097</u>	<u>14,884</u>	<u>12,553</u>	<u>6,329</u>

13. INCOME TAX

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

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Overseas income tax:					
– Charged (refund)					
for the year	–	464	1,956	2,038	363
– Underprovision					
(overprovision) in					
prior years	14	–	(2,368)	(2,368)	–
	<u>14</u>	<u>–</u>	<u>(2,368)</u>	<u>(2,368)</u>	<u>–</u>
Total tax (credited)					
charged for the year	14	464	(412)	(330)	363
	<u>14</u>	<u>464</u>	<u>(412)</u>	<u>(330)</u>	<u>363</u>

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 in the PRC is calculated at the rates prevailing in the relevant jurisdictions.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries 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 entities of the Company from 1 January 2008.

On 26 December 2007, the State Council of the PRC issued a circular on the implementation of transitional preferential policies for PRC Enterprise Income Tax. Entities that are currently entitled to preferential tax rates under the old PRC Enterprise Income Tax Law can gradually transit to the new tax rate of 25% within 5 years after the enforcement of the New Law at a tax rate of 18%, 20%, 22%, 24% and 25% in year 2008, 2009, 2010, 2011 and 2012 respectively.

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.

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

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

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss before taxation	(41,022)	(110,635)	(57,499)	(44,959)	(34,242)
Tax at the Hong Kong Profits Tax rate	(7,179)	(19,361)	(10,062)	(7,868)	(5,650)
Tax effect of expenses that are not deductible for tax purposes	7,200	18,559	6,812	6,803	4,324
Tax effect of income that is not taxable for tax purposes	(14)	(68)	(1,659)	(2)	–
Tax effect of unrecognized accelerated tax allowances	(4)	–	–	–	–
Tax effect of tax losses not recognized	–	2,112	7,356	10,996	7,538
Effect of different tax rates of subsidiaries operating in other jurisdictions	(3)	(778)	(491)	(10,259)	(5,849)
Tax effect of underprovision (overprovision) in prior years	14	–	(2,368)	–	–
Income tax (credit) expenses	<u>14</u>	<u>464</u>	<u>(412)</u>	<u>(330)</u>	<u>363</u>

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

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deductible temporary differences:					
Unutilized tax losses	5,403	11,804	20,632	16,799	15,810
Taxable temporary differences:					
Accelerated tax allowances	(55)	(4)	(2)	(2)	(2)
	<u>5,348</u>	<u>11,800</u>	<u>20,630</u>	<u>16,797</u>	<u>15,808</u>

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At the balance sheet date, the Group have unused tax losses for the each of the three years ended 30 June 2006, 2007 and 2008 and the periods ended 31 March 2008 and 2009 of approximately HK\$5,403,000, HK\$11,804,000, HK\$20,632,000, HK\$16,799,000 and HK\$15,810,000 respectively 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 for the each of the three years ended 30 June 2006, 2007 and 2008 and the periods ended 31 March 2008 and 2009 of approximately Nil, HK\$6,401,000, HK\$15,229,000, HK\$10,406,000 and HK\$11,396,000 respectively that will expire in 5 years from the year of origination. Other losses may be carried forward indefinitely.

14. LOSS PER SHARE

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

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the purposes of basic loss per share	40,837	110,764	56,843	44,427	34,474
Number of shares	'000	'000	'000	'000	'000
Weighted average number of ordinary shares for the purposes of basic loss per share	1,615,396	1,676,490	1,706,834	1,698,734	1,759,643

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.

15. DIVIDEND

No dividend was paid or proposed during the years ended 30 June 2006, 2007, 2008 and periods ended 31 March 2008 and 2009 nor has any dividend been proposed since the balance sheet date.

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16. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Gas distribution network <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Gas storage equipment <i>HK\$'000</i>	Other equipment <i>HK\$'000</i>	Leasehold buildings <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST									
At 1 July 2005	42	18	–	–	–	–	–	–	60
Additions	2	20	2	–	–	–	–	–	24
Acquisition of a subsidiary	13	110	4	–	–	–	–	–	127
At 30 June 2006 and 1 July 2006	57	148	6	–	–	–	–	–	211
Additions	–	–	–	–	1,334	–	316	–	1,650
Disposals	(19)	–	–	–	(70)	–	(3)	–	(92)
Acquisition of jointly controlled entities	–	–	–	153,943	1,488	9,822	5,190	11,100	181,543
Exchange realignment	1	6	–	3,431	33	219	116	247	4,053
At 30 June 2007 and 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 1 July 2008	44	203	10	196,817	3,324	10,936	15,763	14,277	241,374
Transferred from construction in progress	–	–	–	20,650	–	–	5,767	640	27,057
Additions	1	–	–	6,235	588	3	160	–	6,987
Disposals	–	–	–	–	–	–	(33)	–	(33)
Exchange realignment	–	–	–	(621)	(8)	(25)	(36)	(33)	(723)
At 31 March 2009	45	203	10	223,081	3,904	10,914	21,621	14,884	274,662

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	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Gas distribution network <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Gas storage equipment <i>HK\$'000</i>	Other equipment <i>HK\$'000</i>	Leasehold buildings <i>HK\$'000</i>	Total <i>HK\$'000</i>
DEPRECIATION									
At 1 July 2005	5	2	–	–	–	–	–	–	7
Charged for the year	10	20	1	–	–	–	–	–	31
At 30 June 2006 and 1 July 2006	15	22	1	–	–	–	–	–	38
Charged for the year	12	34	1	3,332	150	280	229	173	4,211
Eliminated on disposal	(9)	–	–	–	(15)	–	(3)	–	(27)
Exchange realignment	–	3	–	–	–	–	–	–	3
At 30 June 2007 and 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 1 July 2008	31	137	5	19,104	658	1,486	1,344	603	23,368
Charged for the period	6	28	2	12,114	367	720	1,074	360	14,671
Eliminated on disposal	–	–	–	–	–	–	(31)	–	(31)
Exchange realignment	–	–	–	(74)	(24)	(5)	(6)	(2)	(111)
At 31 March 2009	37	165	7	31,144	1,001	2,201	2,381	961	37,897
NET BOOK VALUES									
At 31 March 2009	8	38	3	191,937	2,903	8,713	19,240	13,923	236,765
At 30 June 2008	13	66	5	177,713	2,666	9,450	14,419	13,674	218,006
At 30 June 2007	21	95	4	154,042	2,650	9,761	5,393	11,174	183,140
At 30 June 2006	42	126	5	–	–	–	–	–	173

None of the Group's property, plant and equipment was held under finance lease.

Leasehold buildings of the Group are located in the People's Republic of China and held under medium term leases.

The Group has pledged gas distribution network having a carrying amount for the each of the three years ended 30 June 2006, 2007 and 2008 and the periods ended 31 March 2009 of approximately Nil, HK\$113,432,000, HK\$122,336,000 and HK\$119,817,000 respectively to secure bank borrowings granted to the Group.

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17. INTEREST IN AN ASSOCIATE

	<i>HK\$'000</i>
At 1 July 2005, 30 June 2006, 1 July 2006, 30 June 2007 and 1 July 2007	–
Cost of investment in an associate	1,744
Share of result of an associate	(40)
Exchange realignment	185
At 30 June 2008 and at 1 July 2008	1,889
Share of result of an associate	124
Disposal	(2,013)
At 31 March 2009	–

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 %	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: During the year ended 30 June 2008, Linli Huayou Gas Co., Limited (“Linli”) was a subsidiary of a jointly controlled entity, Changde JV 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 was 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.

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

	31 October 2008* <i>HK\$'000</i>	30 June 2008 <i>HK\$'000</i>
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 period/year	526	(170)
The Group’s share of result of an associate	124	(40)

* Date of disposal

In November 2008, Changde JV disposed of its equity 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 during the nine months ended 31 March 2009.

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18. GOODWILL

	<i>HK\$'000</i>
COST	
At 1 July 2005	4,051
Arising on acquisition of subsidiaries	31,761
Elimination on amortization accumulated prior to adoption of HKFRS3	(690)
At 30 June 2006	35,122
Arising on acquisition of jointly controlled entities	49,454
At 30 June 2007, 30 June 2008 and 31 March 2009	84,576
IMPAIRMENT	
At 1 July 2005	–
Impairment loss recognized for the year	3,361
At 30 June 2006, 30 June 2007, 30 June 2008 and 31 March 2009	3,361
CARRYING VALUES	
At 31 March 2009	81,215
At 30 June 2008	81,215
At 30 June 2007	81,215
At 30 June 2006	31,761

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.

The carrying amount represents the goodwill arising from acquisition of subsidiary, CNPC Huayou Cu Energy Investment Co., Limited and jointly-controlled entities, Changde Huayou Gas Co., Limited and Hunan Huayou Natural Gas Transportation and Distribution Company Limited of approximately HK\$31,761,000, HK\$26,227,000 and HK\$23,227,000 respectively.

The recoverable amounts of cash generating units (“CGUs”) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations is derived from cash flow projections based on the most recent financial budgets approved by management for the next 5 years. Cash flows beyond that 5 years period have been extrapolated using a steady growth rate of 7% per annum, which is based on industry growth forecasts. The directors of the Company considered no impairment loss is necessary.

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19. CONSTRUCTION IN PROGRESS

	<i>HK\$'000</i>
At 1 July 2005, 30 June 2006 and 1 July 2006	–
Acquisition of jointly controlled entities	7,956
Additions	5,871
Exchange realignment	177
At 30 June 2007 and at 1 July 2007	14,004
Additions	17,249
Deemed disposal of a subsidiary	(184)
Transferred to property, plant and equipment	(25,631)
Exchange realignment	1,474
At 30 June 2008 and 1 July 2008	6,912
Additions	21,387
Transferred to property, plant and equipment	(27,057)
Exchange realignment	(2)
At 31 March 2009	1,240

20. PREPAID LEASE PAYMENTS

	<i>HK\$'000</i>
At 1 July 2005, 30 June 2006 and 1 July 2006	–
Acquisition of jointly controlled entities	12,645
Additions	99
Exchange realignment	284
	13,028
Less: Charged to consolidated income statement for the year	(152)
At 30 June 2007 and at 1 July 2007	12,876
Additions	2,191
Exchange realignment	1,348
	16,415
Less: Charged to consolidated income statement for the year	(461)
At 30 June 2008 and 1 July 2008	15,954
Additions	316
Exchange realignment	(36)
	16,234
Less: Charged to consolidated income statement for the period	(357)
At 31 March 2009	15,877

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	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Analysis for reporting purposes:				
Non-current portion	–	12,496	15,502	15,466
Current portion	–	380	452	411
	<u>–</u>	<u>12,876</u>	<u>15,954</u>	<u>15,877</u>

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

21. INVENTORIES

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Construction materials	–	1,075	2,197	1,724
Finished goods	–	1,058	2,109	714
	<u>–</u>	<u>2,133</u>	<u>4,306</u>	<u>2,438</u>

22. 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.

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	–	1,509	1,466	2,284
Less: Allowance for doubtful receivable	–	–	(856)	(856)
	<u>–</u>	<u>1,509</u>	<u>610</u>	<u>1,428</u>

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

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current to 90 days	–	226	489	1,351
90-180 days	–	1,045	–	–
Over 180 days	–	238	977	933
	<u>–</u>	<u>1,509</u>	<u>1,466</u>	<u>2,284</u>

The accounts receivables with carrying amounts 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 creditworthiness, collaterals and the past collection history of each customer.

The Group made an allowance 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.

Movement in the allowance for bad and doubtful debts:

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at the beginning of the year/period	–	–	–	856
Charge for the year/period	<u>–</u>	<u>–</u>	<u>856</u>	<u>–</u>
Balance at the end of the year/period	<u>–</u>	<u>–</u>	<u>856</u>	<u>856</u>

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 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 at the balance sheet dates, and relevant period approximates to the corresponding carrying amount.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in prepayments, deposits and other receivables are prepayments for the drilling operation of Xin Jiang Oilfield in the PRC for the each of the three years ended 30 June 2006, 2007 and 2008 and the period ended 31 March 2009 of approximately HK\$29 million, HK\$30 million, HK\$34 million and HK\$34 million respectively.

24. BANK BALANCES AND CASH

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank deposits				
denominated in:				
Hong Kong dollar	1,672	1,293	1,504	417
Renminbi	415	46,375	37,370	35,964
United States dollar	163	1,180	1,575	1,076
Singaporean dollar	1,110	262	180	191
	<u>3,360</u>	<u>49,110</u>	<u>40,629</u>	<u>37,648</u>

Included in the balances as at 30 June 2006, 2007 and 2008 and 31 March 2009 were approximately HK\$415,000, HK\$46,375,000, HK\$37,370,000 and HK\$35,964,000 respectively, 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.

25. ACCOUNTS PAYABLES

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	<u>266</u>	<u>10,305</u>	<u>6,823</u>	<u>4,002</u>

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:

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 90 days	139	1,662	219	387
Over 90 days	<u>127</u>	<u>8,643</u>	<u>6,604</u>	<u>3,615</u>
	<u>266</u>	<u>10,305</u>	<u>6,823</u>	<u>4,002</u>

The fair value of the Group's accounts payables as at 30 June 2006, 2007 and 2008 and 31 March 2009 approximates to the corresponding carrying amount.

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26. BANK AND OTHER BORROWINGS

	2006	At 30 June 2007	2008	At 31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans	–	71,179	80,276	93,565
Other borrowings	30,553	37,051	45,319	48,240
	<u>30,553</u>	<u>108,230</u>	<u>125,595</u>	<u>141,805</u>
Secured loans (<i>note a</i>)	22,500	88,426	93,994	92,477
Unsecured loans (<i>note b</i>)	8,053	19,804	31,601	49,328
	<u>30,553</u>	<u>108,230</u>	<u>125,595</u>	<u>141,805</u>

- (a) Borrowings of approximately HK\$22,500,000 as at 30 June 2006 (30 June 2007: HK\$16,500,000) were interest bearing at 2% (30 June 2007: 2%, 30 June 2008: 2% and 31 March 2009: 2%-3%) over prime rate, secured by corporate guarantee from CVG and not repayable in next twelve months.

Borrowings of approximately HK\$17,694,000 as at 30 June 2007 (30 June 2008: HK\$17,474,000 and 31 March 2009: HK\$16,095,000) were unsecured by corporate guarantee from a shareholder of a jointly controlled entity, interest charged at 2.55% per annum and have fixed repayment terms.

Borrowings of approximately HK\$54,232,000 as at 30 June 2007 (30 June 2008: HK\$60,020,000 and 31 March 2009: HK\$59,882,000) were secured by gas network of a jointly controlled entity, interest charged at 5.5%-5.75% per annum and have fixed repayment terms.

- (b) Borrowings of approximately HK\$2,857,000 as at 30 June 2007 (30 June 2008: HK\$11,345,000 and 31 March 2009: HK\$15,645,000) were unsecured, bear interest at prime rate and not repayable in next twelve months.

Borrowings of approximately HK\$8,053,000 as at 30 June 2006 (30 June 2007: HK\$16,947,000; 30 June 2008: HK\$20,256,000 and 31 March 2009: HK\$33,683,000) were unsecured, interest charged at 4.8%-5.67% per annum and have fixed repayment terms.

	2006	At 30 June 2007	2008	At 31 March 2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
On demand or within one year	8,053	2,125	11,344	9,578
In more than one year but not more than two years	22,500	28,031	63,704	84,985
In more than two years but not more than five years	–	63,307	40,054	43,705
Over five years	–	14,767	10,493	3,537
	<u>30,553</u>	<u>108,230</u>	<u>125,595</u>	<u>141,805</u>
Less: Amount shown under non-current liabilities	(22,500)	(106,105)	(114,251)	(132,227)
Amount shown under current liabilities	<u>8,053</u>	<u>2,125</u>	<u>11,344</u>	<u>9,578</u>

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

	<i>RMB HK\$'000 equivalent</i>
At 31 March 2009	109,660
At 30 June 2008	97,750
At 30 June 2007	88,873
At 30 June 2006	–

27. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorized:		
At 1 July 2005, 30 June 2006, 30 June 2007, 30 June 2008 and 31 March 2009	20,000,000,000	200,000
Issued and fully paid:		
At 1 July 2005	1,550,156,428	15,501
Issue of shares pursuant to sales and purchase agreement	20,000,000	200
Shares issued on exercise of options	97,985,000	980
At 30 June 2006 and at 1 July 2006	1,668,141,428	16,681
Shares issued on exercise of options	29,740,000	298
At 30 June 2007 and 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	18,450,000	184
At 31 March 2009	1,762,841,428	17,628

28. CONVERTIBLE BONDS

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

On 23 October 2008, the Company, The Bank of New York Mellon (formerly known as The Bank of New York) (the "Trustee") and BNY Corporate Trustee Services Limited (the "Security Trustee") entered into the Amendment Deed pursuant to which the parties agreed to amend the terms and conditions of the Bonds set out in Schedule 1 to the trust deed, which was entered into by the Company, Trustee and the Security Trustee dated 22 November 2006 ("Trust Deed"). The principal amendment of the amendment deed is to replace the first put option date of 21 November 2008 with 21 February 2009.

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On 30 December 2008, the Company, the Trustee and the Security Trustee entered into the Second Amendment Deed pursuant to which the parties agreed to further amend the terms of the Trust Deed and the conditions of the Bonds including but not limited to, permitting the Company to dispose of the pledged assets for the purpose of redeeming the outstanding Bonds provided that sufficient funds to redeem the Bonds and pay related fees and expenses are held in escrow; limiting the Bondholders' rights to convert the Bonds during the period ending 21 November 2009; revising the Conversion Price to HK\$0.5756 and the minimum reset reference price to HK\$0.4029. An extraordinary general meeting was held on 16 February 2009, which the Company's shareholders had approved the specific mandate to authorise the Company's directors to issue and allot up to a maximum of 580,789,278 new Company's shares upon conversion of the Amended Bonds.

For details of the two amendments of the Bonds, please refer to the joint announcements of the Company and China Vanguard Group Limited dated 23 October 2008 and 7 January 2009 and the Company's circular dated 21 January 2009.

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

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

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

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

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Nominal value of convertible bonds issued	–	234,000	234,000	234,000
Equity component	–	(10,712)	(10,712)	(10,712)
Liability component at the issuance date	–	223,288	223,288	223,288
Interest paid	–	–	–	(5,850)
Imputed finance cost	–	19,856	51,036	77,232
Non-current liability component at as at the balance sheet date	–	243,144	274,324	294,670

29. 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.

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.

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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.

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

30 June 2006							
Eligible participants	Date of grant	Exercise price* HK\$	Outstanding at 1/7/2005	Granted during the year	Exercised during the year	Outstanding at 30/6/2006	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	154,680,000	–	(75,700,000)	78,980,000	1/11/2004 to 30/10/2009
	30/9/2004	0.147	19,250,000	–	(7,015,000)	12,235,000	30/9/2004 to 29/9/2009
	10/9/2004	0.08	37,425,000	–	(15,270,000)	22,155,000	10/9/2004 to 9/9/2009
			<u>211,355,000</u>	<u>125,030,000</u>	<u>(97,985,000)</u>	<u>238,400,000</u>	

30 June 2007						
Eligible participants	Date of grant	Exercise price* HK\$	Outstanding at 1/7/2006	Exercised during the year	Outstanding at 30/6/2007	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	78,980,000	(18,905,000)	60,075,000	1/11/2004 to 30/10/2009
	30/9/2004	0.147	12,235,000	(5,865,000)	6,370,000	30/9/2004 to 29/9/2009
	10/9/2004	0.08	22,155,000	(4,970,000)	17,185,000	10/9/2004 to 9/9/2009
			<u>238,400,000</u>	<u>(29,740,000)</u>	<u>208,660,000</u>	

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30 June 2008 Eligible participants	Date of grant	Exercise price* HK\$	Outstanding at 1/7/2007	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
			<u>208,660,000</u>	<u>(125,030,000)</u>	<u>(46,510,000)</u>	<u>37,120,000</u>	

31 March 2009 Eligible participants	Date of grant	Exercise price* HK\$	Outstanding at 1/7/2008	Exercised during the period	Outstanding at 31/3/2009	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
			<u>37,120,000</u>	<u>(18,450,000)</u>	<u>18,670,000</u>	

* 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.

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. 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\$23,207,000 for the year ended 30 June 2006 (2007: HK\$54,913,000; 2008: HK\$7,674,000) in relation to Options granted by the Company. No expense in relation to Options granted by the Company was recognised during the nine months ended 31 March 2009.

At the Latest Practicable Date, the Company has 18,670,000 Options outstanding under the Scheme, which represented approximately 1.06% of the Company's shares in issue at that date.

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30. NOTES TO CASH FLOW STATEMENT

Deemed disposal of a subsidiary

In year ended 30 June 2008, Linli was a subsidiary of a jointly controlled entity, Changde JV of Aptus Holdings Limited, which holds 70% registered capital of Linli. Due to the change in share structure of Linli, shareholding held by Changde JV 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 <i>HK\$'000</i>
Property, plant and equipment	2,042
Accounts receivables	23
Prepayments, deposits and 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

31. INVESTMENTS IN SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 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		Principal activities
			Direct	Indirect	
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 natural supplementary foods
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

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32. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

At 31 March 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 pipeline and related consultation services

Note:

The Group holds 48.33% of the issued capital of Changde JV and 33% of the issued capital of Hunan JV. 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 JV and Hunan JV.

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:

	At 30 June			At 31 March
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current assets	–	55,604	48,263	47,412
Non-current assets	–	209,517	242,223	253,420
Current liabilities	–	17,961	30,750	37,239
Non-current liabilities	–	86,748	86,407	92,597
Minority interests	–	749	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Date of Acquisition* to 30 June			Period ended
	2006	2007	2008	31 March
	HK\$'000	HK\$'000	HK\$'000	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	–	14,743	70,165	77,467
Expenses	–	(19,057)	(73,362)	(79,407)
Minority interests	–	(3)	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss for the year/period	–	(4,317)	(3,197)	(1,940)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

* The dates of acquisition of Hunan JV and Changde JV are 5 February 2007 and 6 February 2007, respectively.

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33. BANKING FACILITIES

As at 30 June 2006, 2007 and 2008 and 31 March 2009, the Group's banking facilities which consisted mainly of secured bank loans of approximately HK\$7,800,000, HK\$54,232,000, HK\$60,020,000 and HK\$59,882,000 respectively and unsecured bank loan of approximately Nil, HK\$16,947,000, HK\$20,256,000 and HK\$33,683,000 respectively. Banking facilities was secured by certain gas network of a jointly controlled entity and unconditional irrecoverable corporate guarantees.

34. OPERATING LEASE ARRANGEMENTS

The Group as lessee

At balance sheet date and relevant period, the Group had commitments for future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	664	59	45	32
In the second to fifth year inclusive	—	—	7	15
Over five years	—	—	—	3
	<u>664</u>	<u>59</u>	<u>52</u>	<u>50</u>

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

The Group as lessor

At balance sheet date and relevant period, 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:

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	—	129	314	262
In the second to fifth year inclusive	—	246	263	110
	<u>—</u>	<u>375</u>	<u>577</u>	<u>372</u>

Leases are negotiated for an average term of 2 to 3 years.

35. CAPITAL COMMITMENTS

	At 30 June		At 31 March	
	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital expenditure in respect of the investment in a subsidiary authorized but not contracted for	<u>37,768</u>	<u>39,956</u>	<u>44,220</u>	<u>44,119</u>

36. MAJOR NON-CASH TRANSACTIONS

- (a) The Group incurred share option expenses for the each of the three years ended 30 June 2006, 2007 and 2008 and the period ended 31 March 2009 of approximately HK\$23,207,000, HK\$54,913,000, HK\$7,674,000 and Nil respectively.
- (b) The Group incurred imputed interest on convertible bonds for the each of the three years ended 30 June 2006, 2007 and 2008 and the period ended 31 March 2009 of approximately Nil, HK\$19,856,000, HK\$31,180,000 and HK\$26,196,000.

37. CONTINGENT LIABILITIES

At balance sheet date and relevant period, the Group did not have any significant contingent liabilities.

38. 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 statements for the each of the three years ended 30 June 2006, 2007 and 2008 and the period ended 31 March 2009 of approximately HK\$134,000, HK\$186,000, HK\$132,000 and HK\$36,000 respectively 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.

39. 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 the three years and the relevant periods.

40. 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.

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41. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

	Year ended 30 June			Period ended 31 March	
	2006	2007	2008	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	6,603	9,369	8,344	7,310	1,397
Post-employment benefits	68	84	76	52	28
	<u>6,671</u>	<u>9,453</u>	<u>8,420</u>	<u>7,362</u>	<u>1,425</u>

42. PLEDGED ASSETS

In the Relevant Periods, 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, a borrowing for the each of the three years ended 30 June 2006, 2007 and 2008 and the period ended 31 March 2009 of approximately HK\$Nil, HK\$54,232,000, HK\$60,020,000 and HK\$59,882,000 has been secured by gas network of a jointly controlled entity, Hunan Joint Venture.

43. EVENTS AFTER BALANCE SHEET DATE

On 24 April 2009, the Company entered into agreements relating to the disposals of the equity interests in the Changde JV and Hunan JV for the consideration of approximately RMB255,000,000 (approximately HK\$289,350,000) and approximately RMB100,144,000 (approximately HK\$113,634,000) respectively and CNPC Huayou Cu Energy Investment Co. Ltd. entered into agreements terminating the profit sharing arrangement with respect to the Xin Jiang Oilfield for an amount of approximately RMB39,856,000 (approximately HK\$45,225,000).

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44. FINANCIAL INFORMATION OF THE ENTITIES DISPOSED OFF

(A) Changde JV

Included in the consolidated income statements of the Group are the results of the Changde JV during the Relevant Periods which are presented on a combined basis after elimination of intra-entity transactions:

Revenue and expenses of the Changde JV (before elimination of intra-entity transactions with Hunan JV)

	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
	Year ended	Date of	Year ended	Period ended	
	30 June	acquisition*	30 June	31 March	
	2006	to 30 June	2008	2008	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	13,214	63,006	45,889	69,627
Cost of sales	–	(7,788)	(37,561)	(27,442)	(47,124)
Gross profit	–	5,426	25,445	18,447	22,503
Other revenue	–	431	1,819	1,045	1,523
Selling and distribution costs	–	(2,891)	(13,260)	(9,977)	(12,399)
Administrative expenses	–	(1,264)	(2,739)	(679)	(2,672)
Finance costs	–	(354)	(498)	(378)	(601)
Share of result of an associate	–	–	(40)	(42)	124
Loss on disposal of a subsidiary	–	–	–	–	(7)
Loss on deemed disposal of a subsidiary	–	–	(7)	(7)	–
Profit before taxation	–	1,348	10,720	8,409	8,471
Income tax	–	(464)	414	330	(363)
Profit for the year/period	–	884	11,134	8,739	8,108
Attributable to:					
Equity holders of the Company	–	887	11,134	8,739	8,108
Minority interests	–	(3)	–	–	–
	–	884	11,134	8,739	8,108

* The date of acquisition of Changde Joint Venture was 6 February 2007.

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Included in the consolidated balance sheet of the Group are the assets and liabilities of Changde JV at the balance sheet dates which are presented on a combined basis after elimination of intra-entity transactions:

Assets and liabilities of Changde JV (before elimination of inter-company balances with Hunan JV)

	(Audited) 2006 HK\$'000	(Audited) At 30 June 2007 HK\$'000	(Audited) 2008 HK\$'000	(Audited) At 31 March 2009 HK\$'000
Non-current assets				
Property, plant and equipment	–	68,348	94,244	115,655
Interest in an associate	–	–	1,889	–
Construction in progress	–	14,004	6,912	1,240
Prepaid lease payments	–	12,459	13,420	13,293
	–	94,811	116,465	130,188
Current assets				
Inventories	–	1,862	3,891	1,795
Accounts receivables	–	599	608	1,428
Prepaid lease payments	–	330	368	367
Prepayments, deposits and other receivables	–	4,907	5,208	7,007
Tax recoverable	–	–	700	–
Bank balances and cash	–	32,367	36,497	31,943
	–	40,065	47,272	42,540
Current liabilities				
Accounts payables	–	4,023	2,734	2,347
Accrued liabilities and other payables	–	3,873	12,389	14,597
Tax payable	–	669	–	762
Bank and other borrowings	–	2,125	2,341	2,093
	–	10,690	17,464	19,799
Net current assets	–	29,375	29,808	22,741
Total assets less current liabilities	–	124,186	146,273	152,929
Capital and reserves				
Share capital	–	58,153	58,153	58,153
Reserves	–	49,715	72,987	80,774
Equity attributable to equity holders of the Company	–	107,868	131,140	138,927
Minority interests	–	749	–	–
	–	108,617	131,140	138,927
Non-current liabilities				
Bank and other borrowings	–	15,569	15,133	14,002
	–	124,186	146,273	152,929

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Statement of changes in equity of Changde JV

	(Audited)	(Audited)	(Audited)	(Audited) Retained profits/ losses	(Audited)	(Audited)	(Audited)
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	(Accumulated losses) HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 6 February 2007	58,153	47,592	–	(1,145)	104,600	752	105,352
Profit for the period	–	–	–	887	887	(3)	884
Exchange differences arising from translation of financial statements	–	–	2,381	–	2,381	–	2,381
At 30 June 2007 and 1 July 2007	58,153	47,592	2,381	(258)	107,868	749	108,617
Profit for the year	–	–	–	11,134	11,134	–	11,134
Released on deemed disposal	–	–	–	–	–	(749)	(749)
Exchange differences arising from translation of financial statements	–	–	12,138	–	12,138	–	12,138
At 30 June 2008 and 1 July 2008	58,153	47,592	14,519	10,876	131,140	–	131,140
Profit for the period	–	–	–	8,108	8,108	–	8,108
Exchange differences arising from translation of financial statements	–	–	(321)	–	(321)	–	(321)
At 31 March 2009	<u>58,153</u>	<u>47,592</u>	<u>14,198</u>	<u>18,984</u>	<u>138,927</u>	<u>–</u>	<u>138,927</u>

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited) Retained profits/ losses	(Unaudited)	(Unaudited)	(Unaudited)
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	(Accumulated losses) HK\$'000	Sub-total HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 July 2007	58,153	47,592	2,381	(258)	107,868	749	108,617
Profit for the period	–	–	–	8,739	8,739	–	8,739
Released on deemed disposal of a subsidiary	–	–	–	–	–	(749)	(749)
Exchange differences arising from translation of financial statements	–	–	9,086	–	9,086	–	9,086
At 31 March 2008	<u>58,153</u>	<u>47,592</u>	<u>11,467</u>	<u>8,481</u>	<u>125,693</u>	<u>–</u>	<u>125,693</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Cash flow statement of Changde JV

	(Audited) Year ended 30 June 2006 HK\$'000	(Audited) Date of acquisition to 30 June 2007 HK\$'000	(Audited) Year ended 30 June 2008 HK\$'000	(Unaudited) Period ended 31 March 2008 HK\$'000	(Audited) 31 March 2009 HK\$'000
Operating activities					
Profit before taxation	–	1,348	10,720	8,409	8,471
Adjustments for:					
Depreciation of property, plant and equipment	–	1,510	6,821	5,172	6,039
Interest income	–	(304)	(1,400)	(977)	(1,213)
Finance costs	–	354	498	378	601
Amortization of prepaid lease payments	–	–	348	405	282
Loss on deemed disposal of a subsidiary	–	–	7	7	–
Loss on disposal of an associate	–	–	–	–	7
Share of results of an associate	–	–	40	42	(124)
Operating cash flows before movements in working capital	–	2,908	17,034	13,436	14,063
(Increase) decrease in inventories	–	(1,079)	(1,830)	(614)	2,087
(Increase) decrease in accounts receivables	–	(161)	55	90	(821)
(Increase) decrease in prepayments, deposits and other receivables	–	61	223	(15,240)	(1,811)
Decrease in accounts payables	–	(2,321)	(1,718)	(259)	(381)
Increase in accrued liabilities and other payables	–	540	7,223	6,674	2,237
Cash generated from (used in) operations	–	(52)	20,987	4,087	15,374
Tax (paid) refund	–	(1,411)	(1,003)	(1,259)	1,099
Net cash generated from (used in) operating activities	–	(1,463)	19,984	2,828	16,473
Investing activities					
Interest received	–	304	1,400	977	1,213
Purchase of construction in progress	–	(2,177)	(17,249)	(16,530)	(21,408)
Additions of prepaid lease payments	–	–	(2,173)	(2,126)	(186)
Purchase of property, plant and equipment	–	(5,204)	(515)	(515)	(587)
Deemed disposal of a subsidiary	–	–	(208)	(208)	–
Sales proceeds from disposal of an associate	–	–	–	–	2,006
Net cash (used in) investing activities	–	(7,077)	(18,745)	(18,402)	(18,962)
Financing activities					
Interest paid	–	(354)	(498)	(378)	(601)
Net repayment of borrowings	–	(22,940)	(2,110)	(2,177)	(1,338)
Net cash (used in) financing activities	–	(23,294)	(2,608)	(2,555)	(1,939)

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

	(Audited) Year ended 30 June 2006 HK\$'000	(Audited) Date of acquisition to 30 June 2007 HK\$'000	(Audited) Year ended 30 June 2008 HK\$'000	(Unaudited) Period ended 31 March 2008 HK\$'000	(Audited) Period ended 31 March 2009 HK\$'000
Net decrease in cash and cash equivalents	–	(31,834)	(1,369)	(18,129)	(4,428)
Cash and cash equivalents at beginning of the year/period	–	64,748	32,367	32,367	36,497
Effect of foreign exchange rate changes	–	(547)	5,499	3,460	(126)
Cash and cash equivalents at end of the year/period	–	32,367	36,497	17,698	31,943
Cash and cash equivalents at end of the year/period, Represented by Bank balances and cash	–	32,367	36,497	17,698	31,943

(B) Hunan JV

Included in the consolidated income statements of the Group are the results of Hunan JV during the Relevant Periods which are presented on a combined basis after elimination of intra-entity transactions:

Revenue and expenses of Hunan JV (before elimination of intra-entity transactions with Changde JV)

	(Audited) Year ended 30 June 2006 HK\$'000	(Audited) Date of acquisition* to 30 June 2007 HK\$'000	(Audited) Year ended 30 June 2008 HK\$'000	(Unaudited) Period ended 31 March 2008 HK\$'000	(Audited) Period ended 31 March 2009 HK\$'000
Revenue	–	2,198	6,058	4,145	7,840
Cost of sales	–	(4,780)	(13,370)	(10,268)	(12,309)
Gross loss	–	(2,582)	(7,312)	(6,123)	(4,469)
Other revenue	–	45	133	101	114
Selling and distribution costs	–	(88)	(338)	(256)	(234)
Administrative expenses	–	(850)	(2,062)	(939)	(1,308)
Finance costs	–	(1,729)	(4,752)	(3,475)	(4,151)
Loss before taxation	–	(5,204)	(14,331)	(10,692)	(10,048)
Income tax	–	–	–	–	–
Loss for the year/period	–	(5,204)	(14,331)	(10,692)	(10,048)

* The date of acquisition of Hunan Joint Venture was 5 February 2007.

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Included in the consolidated balance sheet of the Group are the assets and liabilities of Hunan JV at the balance sheet dates which are presented on a combined basis after elimination of intra-entity transactions:

Assets and liabilities of Hunan JV (before elimination of inter-company balances with Changde JV)

	(Audited) 2006 <i>HK\$'000</i>	(Audited) At 30 June 2007 <i>HK\$'000</i>	(Audited) 2008 <i>HK\$'000</i>	(Audited) At 31 March 2009 <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	–	114,669	123,677	121,059
Prepaid lease payments	–	37	2,082	2,173
	–	114,706	125,759	123,232
Current assets				
Inventories	–	271	415	643
Accounts receivables	–	910	2	–
Prepaid lease payments	–	49	84	44
Prepayments, deposits and other receivables	–	383	431	224
Bank balances and cash	–	13,926	759	3,961
	–	15,539	1,691	4,872
Current liabilities				
Accounts payables	–	6,040	3,649	1,555
Accrued liabilities and other payables	–	1,212	1,314	853
Tax payable	–	19	22	62
Bank and other borrowings	–	–	9,003	7,485
	–	7,271	13,988	9,955
Net current assets (liabilities)	–	8,268	(12,297)	(5,083)
Total assets less current liabilities	–	122,974	113,462	118,149
Capital and reserves				
Share capital	–	49,487	49,487	49,487
Reserves	–	2,308	(7,298)	(17,418)
Equity attributable to equity holders of the Company	–	51,795	42,189	32,069
Non-current liabilities				
Bank and other borrowings	–	71,179	71,273	86,080
	–	122,974	113,462	118,149

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Statement of changes in equity of Hunan JV

	(Audited) Share capital <i>HK\$'000</i>	(Audited) Share premium <i>HK\$'000</i>	(Audited) Translation reserves <i>HK\$'000</i>	(Audited) Accumulated losses <i>HK\$'000</i>	(Audited) Total <i>HK\$'000</i>
At 5 February 2007	49,487	9,696	–	(3,286)	55,897
Exchange differences arising from translation of financial statements	–	–	1,102	–	1,102
Loss for the period	–	–	–	(5,204)	(5,204)
At 30 June 2007 and 1 July 2007	49,487	9,696	1,102	(8,490)	51,795
Exchange differences arising from translation of financial statements	–	–	4,725	–	4,725
Loss for the year	–	–	–	(14,331)	(14,331)
At 30 June 2008 and 1 July 2008	49,487	9,696	5,827	(22,821)	42,189
Exchange differences arising from translation of financial statements	–	–	(72)	–	(72)
Loss for the period	–	–	–	(10,048)	(10,048)
At 31 March 2009	<u>49,487</u>	<u>9,696</u>	<u>5,755</u>	<u>(32,869)</u>	<u>32,069</u>
	(Unaudited) Share capital <i>HK\$'000</i>	(Unaudited) Share premium <i>HK\$'000</i>	(Unaudited) Translation reserves <i>HK\$'000</i>	(Unaudited) Accumulated losses <i>HK\$'000</i>	(Unaudited) Total <i>HK\$'000</i>
At 1 July 2007	49,487	9,696	(1,103)	(8,490)	49,590
Exchange differences arising from translation of financial statements	–	–	3,677	–	3,677
Loss for the period	–	–	–	(10,692)	(10,692)
At 31 March 2008	<u>49,487</u>	<u>9,696</u>	<u>2,574</u>	<u>(19,182)</u>	<u>42,575</u>

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

Cash flow statement of Hunan JV

	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
	Year ended	Date of	Year ended	Period ended	31 March
	30 June	acquisition	30 June	2008	2009
	2006	to 30 June	2008		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating activities					
Loss before taxation	–	(5,204)	(14,331)	(10,692)	(10,048)
Adjustments for:					
Depreciation of property, plant and equipment	–	2,459	10,612	8,071	8,575
Interest income	–	(43)	(107)	(117)	(18)
Finance costs	–	1,729	4,752	3,475	4,151
Amortization of prepaid lease payments	–	12	113	89	76
Loss on disposal of property, plant and equipment	–	53	–	–	–
Operating cash flows before movements in working capital	–	(994)	1,039	826	2,736
Increase in inventories	–	(271)	(114)	(111)	(231)
(Increase) decrease in accounts receivables	–	(910)	1,005	142	2
(Increase) decrease in prepayments, deposits and other receivables	–	1,964	(7)	(784)	205
Decrease in accounts payables	–	(6,278)	(3,035)	(2,960)	(2,086)
Decrease in accrued liabilities and other payables	–	(576)	(27)	(567)	(458)
Cash generated from (used in) operations	–	(7,065)	(1,139)	(3,454)	168
Tax refund	–	14	–	1	41
Net cash generated from (used in) operating activities	–	(7,051)	(1,139)	(3,453)	209
Investing activities					
Interest received	–	43	107	117	18
Additions of prepaid lease payments	–	(99)	(18)	(18)	(129)
Purchase of property, plant and equipment	–	(8)	(10,150)	(7,705)	(6,221)
Net cash used in investing activities	–	(64)	(10,061)	(7,606)	(6,332)
Financing activities					
Interest paid	–	(1,729)	(4,752)	(3,475)	(4,151)
Net raising (repayment) of borrowings	–	(3,775)	1,500	–	13,473
Net cash generated from (used in) financing activities	–	(5,504)	(3,252)	(3,475)	9,322

APPENDIX II ACCOUNTANTS' REPORT ON THE APTUS GROUP

	(Audited)	(Audited)	(Audited)	(Unaudited)	(Audited)
	Year ended	Date of	Year ended	Period ended	31 March
	30 June	acquisition	30 June	2008	2009
	2006	to 30 June	2008		
	HK\$'000	2007	HK\$'000	HK\$'000	HK\$'000
		HK\$'000			
Net increase (decrease) in cash and cash equivalents	–	(12,619)	(14,452)	(14,534)	3,199
Cash and cash equivalents at beginning of the year/period	–	26,619	13,926	13,926	759
Effect of foreign exchange rate changes	–	(74)	1,285	1,005	3
Cash and cash equivalents at end of the year/period	–	13,926	759	397	3,961
Cash and cash equivalents at end of the year/period, Represented by					
Bank balances and cash	–	13,926	759	397	3,961

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited consolidated financial statement of the Group has been prepared in respect of any period subsequent to 31 March 2009.

鄧偉雄會計師事務所有限公司

Level 7, Parkview Centre,
7 Lau Li Street,
Causeway Bay, Hong Kong.

Tel : (852) 23426130
Fax : (852) 23426006

香港銅鑼灣琉璃街七號
栢景中心七樓

**W.H. TANG
& PARTNERS
CPA LIMITED**

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION****TO THE DIRECTORS OF APTUS HOLDINGS LIMITED**

We report on the unaudited pro forma financial information (the “Pro Forma Financial Information”) of Aptus Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as set out in Appendix III “Unaudited Pro Forma Financial Information of the Remaining Aptus Group” to the Company’s circular dated 24 June 2009 (the “Circular”) in connection with the very substantial disposal transaction whereby the Company proposes to dispose of equity interests in joint ventures carrying out natural gas related business (“Target Group”). The Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Disposal (as defined in the Circular) might have affected the financial information presented. The basis of preparation of the Pro Forma Financial Information is set out in Section A of Appendix III of the Circular.

**Respective responsibilities of the directors of the Company and the Reporting
Accountants**

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public

Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31 of the GEM Rules.

The Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgments and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2008 or any future date; or
- the results or cash flows of the Group for the year ended 30 June 2008 or for any future periods.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

Yours faithfully,
W.H. Tang & Partners CPA Limited
Certified Public Accountants
Hong Kong

24 June 2009

**A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING APTUS GROUP****Unaudited Pro Forma Consolidated Assets and Liabilities Statement**

The unaudited pro forma consolidated assets and liabilities statement of the Remaining Aptus Group (the “Unaudited Pro Forma Consolidated Assets and Liabilities Statement”) has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed on 30 June 2008.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement is based on the audited consolidated balance sheet of the Group as at 30 June 2008 as extracted from Appendix II to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction and (ii) factually supportable.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Assets and Liabilities Statement does not purport to describe the actual financial position of the Remaining Aptus Group that would have been attained had the Disposal been completed on 30 June 2008. The Unaudited Pro Forma Consolidated Assets and Liabilities Statement does not purport to predict the future financial position of the Remaining Aptus Group.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement should be read in conjunction with the historical financial information of the Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular. The Unaudited Pro Forma Consolidated Assets and Liabilities Statement does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Group included in the Unaudited Pro Forma Consolidated Assets and Liabilities Statement.

The Unaudited Pro Forma Consolidated Assets and Liabilities Statement has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Aptus Group following completion of the Disposal or at any future date.

	The Group as at 30 June 2008 HK\$'000	Pro forma adjustment HK\$'000 Note 1	Pro forma adjustment HK\$'000 Note 2	The Remaining Aptus Group as at 30 June 2008 HK\$'000
Non-current assets				
Property, plant and equipment	218,006	(217,921)		85
Interest in an associate	1,889	(1,889)		–
Goodwill	81,215	(49,454)		31,761
Construction in progress	6,912	(6,912)		–
Prepaid lease payments	15,502	(15,502)		–
	<u>323,524</u>			<u>31,846</u>
Current assets				
Inventories	4,306	(4,306)		–
Accounts receivables	610	(610)		–
Prepaid lease payments	452	(452)		–
Prepayments, deposits and other receivables	38,385	(5,639)		32,746
Tax recoverable	680	(678)		2
Bank balances and cash	40,629	(37,256)	378,013	381,386
	<u>85,062</u>			<u>414,134</u>

	The Group as at 30 June 2008 <i>HK\$'000</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 1</i>	Pro forma adjustment <i>HK\$'000</i> <i>Note 2</i>	The Remaining Aptus Group as at 30 June 2008 <i>HK\$'000</i>
Current liabilities				
Accounts payables	6,823	(6,383)		440
Accrued liabilities and other payables	19,555	(13,703)		5,852
Bank and other borrowings	11,344	(11,344)		–
	<u>37,722</u>			<u>6,292</u>
Net current assets	<u>47,340</u>			<u>407,842</u>
Total assets less current liabilities	<u><u>370,864</u></u>			<u><u>439,688</u></u>

	The Group as at 30 June 2008 HK\$'000	Pro forma adjustment HK\$'000 Note 1	Pro forma adjustment HK\$'000 Note 2	The Remaining Aptus Group as at 30 June 2008 HK\$'000
Capital and reserves				
Share capital	17,444			17,444
Reserves	<u>(50,433)</u>	(222,783)	378,013	<u>104,797</u>
Equity attributable to equity holders of the Company	(32,989)			122,241
Minority interests	<u>15,278</u>			<u>15,278</u>
	<u>(17,711)</u>			<u>137,519</u>
Non-current liabilities				
Bank and other borrowings	114,251	(86,406)		27,845
Convertible bonds	<u>274,324</u>			<u>274,324</u>
	<u>388,575</u>			<u>302,169</u>
	<u>370,864</u>			<u>439,688</u>

Notes to the Unaudited Pro Forma Consolidated Assets and Liabilities Statement:

1. The adjustment represents the exclusion of the assets and liabilities of Target Group attributable to the Group as at 30 June 2008 as if the Disposal had been completed on 30 June 2008.
2. The adjustment represents the net consideration of approximately HK\$378,013,000 comprising (i) the Consideration of HK\$402,984,000; (ii) the estimated expenses to be incurred in connection with the Disposal of approximately HK\$5,700,000; and (iii) the estimated tax provision to be incurred in connection with the Disposal of approximately HK\$19,271,000.

Unaudited Pro Forma Consolidated Income Statement

The unaudited pro forma consolidated income statement of the Remaining Aptus Group (the “Unaudited Pro Forma Consolidated Income Statement”) has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the beginning of the year ended 30 June 2008.

The Unaudited Pro Forma Consolidated Income Statement is based on the audited consolidated income statement of the Group for the year ended 30 June 2008 as extracted from Appendix II to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction and (ii) factually supportable.

The Unaudited Pro Forma Consolidated Income Statement is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Income Statement does not purport to describe the actual results of the Remaining Aptus Group that would have been attained had the Disposal been completed at the beginning of the year ended 30 June 2008. The Unaudited Pro Forma Consolidated Income Statement does not purport to predict the future results of the Remaining Aptus Group.

The Unaudited Pro Forma Consolidated Income Statement should be read in conjunction with the historical financial information of the Group as set out in Appendix III to this circular and other financial information included elsewhere in this circular. The Unaudited Pro Forma Consolidated Income Statement does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Group included in the Unaudited Pro Forma Consolidated Income Statement.

The Unaudited Pro Forma Consolidated Income Statement has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results of the Remaining Aptus Group had the Disposal been completed at the beginning of the year ended 30 June 2008 or for any future period.

	The Group for the year ended 30 June 2008 HK\$'000	Pro forma adjustment HK\$'000 Note 3	Pro forma adjustment HK\$'000 Note 4	The Remaining Aptus Group for the year ended 30 June 2008 HK\$'000
Revenue	105,355	(65,794)		39,561
Cost of sales	<u>(86,969)</u>	47,660		<u>(39,309)</u>
Gross profit	18,386			252
Other revenue	1,009	(1,068)		(59)
Selling and distribution expenses	(13,598)	13,598		–
Administrative expenses	(25,764)	4,769		(20,995)
Estimated gain on disposal of jointly controlled entities	–		168,896	168,896
Finance costs	(37,485)	4,399		(33,086)
Share of result of an associate	(40)	40		–
Loss on deemed disposal of a subsidiary	<u>(7)</u>	7		<u>–</u>
Profit (loss) before taxation	(57,499)			115,008
Income tax	<u>412</u>	(414)		<u>(2)</u>
Profit (loss) for the year	<u><u>(57,087)</u></u>			<u><u>115,006</u></u>

Notes to the Unaudited Pro-Forma Consolidated Income Statement:

- The adjustment represents the exclusion of the income and expenses of the Target Group attributable to the Group for the year ended 30 June 2008 as if the Disposal had been completed on 1 July 2007. This adjustment is not expected to have a continuing effect on the Remaining Aptus Group.
- The adjustment represents the estimated gain on the disposal of approximately HK\$168,896,000 which is calculated based on (i) the net consideration of approximately HK\$378,013,000 (representing the Consideration of HK\$402,984,000 less the estimated expenses to be incurred in connection with the Disposal of approximately HK\$5,700,000 and tax provision of approximately HK\$19,271,000); and (ii) the adjusted net assets disposed of amounted to approximately HK\$209,118,000 (representing the net assets of Target Group attributable to the Group of approximately HK\$159,663,000, plus goodwill of approximately HK\$49,454,000), as if the Disposal had been completed on 1 July 2007. This adjustment is not expected to have a continuing effect on the Remaining Aptus Group.

Since the actual carrying amounts of the assets and liabilities attributable to the Target Group on Completion may be different from the amounts used in the preparation of the Unaudited Pro Forma Consolidated Income Statement, the actual gain or loss on the Disposal may be materially different from the estimated amount shown above.

Unaudited Pro Forma Consolidated Cash Flow Statement

The unaudited pro forma consolidated cash flow statement of the Remaining Aptus Group (the “Unaudited Pro Forma Consolidated Cash Flow Statement”) has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Disposal as if the Disposal had been completed at the beginning of the year ended 30 June 2008.

The Unaudited Pro Forma Consolidated Cash Flow Statement is based on the audited consolidated cash flow statement of the Group for the year ended 30 June 2008 as extracted from Appendix II to this circular, after making pro forma adjustments relating to the Disposal that are (i) directly attributable to the transaction and (ii) factually supportable.

The Unaudited Pro Forma Consolidated Cash Flow Statement is based on a number of assumptions, estimates and uncertainties. Accordingly, the Unaudited Pro Forma Consolidated Cash Flow Statement does not purport to describe the actual cash flows of the Remaining Aptus Group that would have been attained had the Disposal been completed at the beginning of the year ended 30 June 2008. The Unaudited Pro Forma Consolidated Cash Flow Statement does not purport to predict the future cash flows of the Remaining Aptus Group.

The Unaudited Pro Forma Consolidated Cash Flow Statement should be read in conjunction with the historical financial information of the Group as set out in Appendix III to this circular and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Consolidated Cash Flow Statement does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Group included in the Unaudited Pro Forma Consolidated Cash Flow Statement. The Unaudited Pro Forma Consolidated Cash Flow Statement has been prepared by the Directors for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the cash flows of the Remaining Aptus Group had the Disposal been completed at the beginning of the year ended 30 June 2008 or for any future period.

	The Group for the year ended 30 June 2008 HK\$'000	Pro forma adjustments HK\$'000 Note 5	Pro forma adjustments HK\$'000 Note 6	The Remaining Aptus Group for the year ended 30 June 2008 HK\$'000
OPERATING ACTIVITIES				
Loss before taxation	(57,499)	3,611	168,896	115,008
Adjustment for:				
Depreciation of property, plant and equipment	17,719	(17,473)		246
Interest income	(707)	605		(102)
Finance costs	37,485	(4,399)		33,086
Amortization of prepaid lease payments	461	(461)		–
Estimated gain on disposal of jointly controlled entities	–		(168,896)	(168,896)
Share option expenses	7,674			7,674
Loss on deemed disposal of a subsidiary	7	(7)		–
Allowance for doubtful receivable	856	(856)		–
Share of result of an associate	40	(40)		–

	The Group for the year ended 30 June 2008 <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 5</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 6</i>	The Remaining Aptus Group for the year ended 30 June 2008 <i>HK\$'000</i>
Operating cash flows before movements in working capital	6,036			(12,984)
Increase in inventories	(2,318)	2,318		–
Increase in accounts receivables	(28)	28		–
(Increase) decrease in prepayment, deposits and other receivables	(2,718)	2,939		221
Increase (decrease) in accounts payables	(3,446)	3,643		197
Increase in accrued liabilities and other payables	<u>9,172</u>	(7,299)		<u>1,873</u>
Cash generated from (used in) operations	6,698			(10,693)
Tax paid	<u>(1,071)</u>	956		<u>(115)</u>
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	<u>5,627</u>			<u>(10,808)</u>

	The Group for the year ended 30 June 2008 <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 5</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 6</i>	The Remaining Aptus Group for the year ended 30 June 2008 <i>HK\$'000</i>
INVESTING ACTIVITIES				
Interest received	707	(605)		102
Purchase of construction in progress	(17,249)	17,249		–
Additions of prepaid lease payments	(2,191)	2,191		–
Deemed disposal of a subsidiary	(208)	208		–
Disposal of jointly controlled entities	–	(46,292)		(46,292)
Purchase of property, plant and equipment	(10,666)	10,665		(1)
Estimated proceeds from disposal of jointly controlled entities	–		378,013	378,013
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	(29,607)			331,822
FINANCING ACTIVITIES				
Interest paid	(5,223)	4,399		(824)
Issue of shares	4,556			4,556
Proceed from issue of convertible bonds	–			–
Net raising of borrowing	7,879	608		8,487
NET CASH GENERATED FROM FINANCING ACTIVITIES	7,212			12,219

	The Group for the year ended 30 June 2008 <i>HK\$'000</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 5</i>	Pro forma adjustments <i>HK\$'000</i> <i>Note 6</i>	The Remaining Aptus Group for the year ended 30 June 2008 <i>HK\$'000</i>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,768)			333,233
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	49,110			49,110
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	8,287	(9,245)		(958)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>40,629</u>			<u>381,385</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE 2008 represented by Bank balances and cash	<u>40,629</u>			<u>381,385</u>

Notes to the Unaudited Pro Forma Consolidated Cash Flow Statement:

- The adjustment represents the exclusion of the cash flows of the Target Group attributable to the Group for the year ended 30 June 2008 as if the Disposal had been completed on 1 July 2007. This adjustment is not expected to have a continuing effect on the Remaining Aptus Group.
- The adjustment represents the net sales proceed from disposal of Target Group of approximately HK\$378,013,000. Detail is summarized as follows:

	<i>HK\$'000</i>
Sales proceeds	402,984
Less: Provision of tax	(19,271)
Estimated legal fee	<u>(5,700)</u>
Net sale proceeds	<u>378,013</u>

This adjustment is not expected to have a continuing effect on the Remaining Aptus Group.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 April 2009 of the Changde JV.



Asset Appraisal Limited
資產評估顧問有限公司

Room 802, 8/F, On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈8字樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

24 June 2009

The Board of Directors

Aptus Holdings Limited

Room 2201, 22/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

The Board of Directors

China Vanguard Group Limited

Room 2201, 22/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

The following is in accordance with the instructions from Aptus Holdings Limited (the "Company") to provide value opinion on the business enterprise of Changde Huayou Gas Co. Ltd. ("Changde JV") in which the Company is currently holding an equity interest of 48.33%.

We confirm that we have inspected the operating assets of Changde JV in Changde City, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of valuation of Changde JV as at 30 April 2009 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation and the limiting conditions.

INTRODUCTION

By virtue of the Changde Acquisition Agreement (the “Changde Acquisition Agreement”) entered into among the Company, China Huayou Group Corporation and Changde State-owned Asset Operation Management Company on 25 July 2006, the Company has acquired 48.33% equity interest in Changde JV by making capital contribution with a sum of RMB131,707,900. The Changde Acquisition Agreement has been completed and the Company owns a 48.33% equity interest in Changde JV.

Changde JV is a limited company established in the PRC on 11 October 1999. It is principally engaged in the business of gas pipeline design, supply, development and management of natural gas pipeline networks and gas distribution in the PRC. Since mid 2006, it holds and operates a natural gas pipeline distribution network and supplies natural gas to residential, commercial, industrial and public welfare establishment gas users in Changde City as well as vehicles powered by compressed natural gas. It is the sole pipeline natural gas supplier in Changde City and has been granted by the Municipal Government of Changde City an exclusive operating right to supply pipeline natural gas to the administrative zone of Changde City for a term expiring in 2033. Along with pipeline gas, it also supplies gas users with cylinder liquefied natural gas which is refilled in its gas stations in Changde. It generates revenues from sale of gas and the charges received from end users or property developers on an one-off basis for connecting the last mile pipelines to its backbone pipelines. Currently, Changde JV relies its source of natural gas on the group company of China National Petroleum Corporation.

The gas pipeline network of Changde JV is currently covering the entire urban proper and the Deshan Economic Development Zone of Changde City and is progressively penetrating suburban areas of the city. By the end of 2008, the network which is currently stretching a total length of about 752 kilometers is connecting to a total of approximately 59,000 domestic users, 290 commercial and public welfare establishment users and 8 industrial users. Coming from Changsha City via the Changsha-Changde inter-provincial gas linkage built and operated by Hunan Huayou Natural Gas Transportation & Distribution Company Limited, natural gas is taken in at the Huangmuguan Gas Station and the Deshan Gas Station and distributed directly to the end users via its backbone pipeline networks and last mile pipelines. A vehicle natural gas filling station is established at the Deshan Gas Station to cater for vehicles powered by natural gas. For the year 2007 and 2008, the pipeline network has total throughput of 29.6 million Nm³ and 50.32 million Nm³ of natural gas.

*Huangmuguan Gas Station**Deshan Gas Station**Deshan Gas Station**Vehicle Gas Filling Station at Deshan Gas Station*

INDUSTRY OVERVIEW

Natural gas has the advantages of cleanness, high efficiency, rich resources and easy transportation. Currently, coal accounts for about 72% of the PRC's energy consumption, while natural gas only accounts for 2.5%, far lower than the world average of 25% and also lower than the average level of 8.8% in Asia.

Since 2005, the PRC's natural gas consumption structure began to change. The chemical industry and urban fuel gas account over 60% of the total consumption. As fuel gas rapidly replaces fuel coal in household consumption, urban fuel gas consumption has been growing the fastest. As the demand for natural gas grows, the PRC's consumption structure will be further optimised in the future. Natural gas will gradually become the main fuel in the urban fuel gas market, and the level of urbanisation (i.e. the ratio of urban area to total living area of the PRC, an indicator of the extent to which rural area is turned into urban area) will rise to 55% to 60% in 2020 from 43% at present. In addition, demand of natural gas will also shift regionally.

According to a five-year statistics in 2006, the growth in the PRC's energy consumption is much higher than the world average. The five-year average increase for primary energy consumption in the PRC is 11.17%, and is 9% for oil consumption. The average oil import volume has increased by 19.23% annually. Since 1993, the PRC has become a net oil importing country from an oil exporting country. In 2007, the PRC has imported a total of 163 million tons of crude oil with 12.39% growth in comparison with 2006.

With the economic development of the PRC and improvement of Chinese living standard, it may be noticed that the demand for natural gas and other clean energy have been increasing as well. In the last five years, natural gas consumption has been increasing by 15.71% annually, which exceeded almost 7 percentage points in comparison with crude oil consumption. The total natural gas consumption in 2007 was 67.3 billion cubic meters with 21% growth in comparison with 2006. Although the PRC has started increasing the consumption of natural gas, it is still only a small percentage in total energy consumed. According to statistics, in 2006, natural gas consumption is less than 3% in the total primary energy consumed. This number is much lower than the world average of 23.67%. The consumption ratio in the PRC for natural gas and crude oil is only 14.3%, which is way below the world average of 66.2%. With a limited domestic natural gas supply in the PRC and transportation difficulties from source to consumer, there is a large gap between supply and demand of natural gas. It is an urgent matter for the Chinese to import natural gas. Actually, the increase in natural gas consumption in the PRC is restricted by the supply, so actual increase consumption does not reflect the real demand underneath.

Between 1985 and 2004, annual natural gas consumption tripled from 13 billion Nm³ to 31 billion Nm³ in the PRC and consumption further increased to around 45 billion Nm³ in 2005. All of it was produced in the PRC. Statistics shows that Chinese natural gas consumption will reach 100-120 billion Nm³ per year in 2010, and in 2020, it is likely to reach 200-240 billion Nm³ annually.

Demand for natural gas is currently satisfied mostly by domestic fields. In the future, imports are expected to increase significantly. As of 2004, the PRC was building 23 gas-fired power plants with 16 more planned. The PRC has an abundance of natural gas (proven reserves of 8 trillion cubic meters) but much of it is in remote locations-particularly Xinjiang and Inner Mongolia-and requires expensive pipelines to bring it to the users. There are large reserves of natural gas in the Chuandongbei gas field near Chongqing in Sichuan. A pipeline is being built there to transmit the gas to central China. Beijing is currently getting natural gas from Shanxi. Natural gas is produced in the Yacheng gas field, 60 miles off the Coast of Hainan Island.

Looking globally, liquefied natural gas (“LNG”) supply is in high demand. With the exception of a very few places, the rest of the country or regions with rich gas resources have been exploited. The price of LNG in the international market is closely linked with the price of crude oil. The price of recent signed LNG sale and purchase agreement was almost 100% linked with the caloric value of crude oil.

The PRC imports LNG from Australia, Indonesia and the Middle East. The PRC began importing LNG in the mid 2000s and is expected to import 20 million tons within five years.

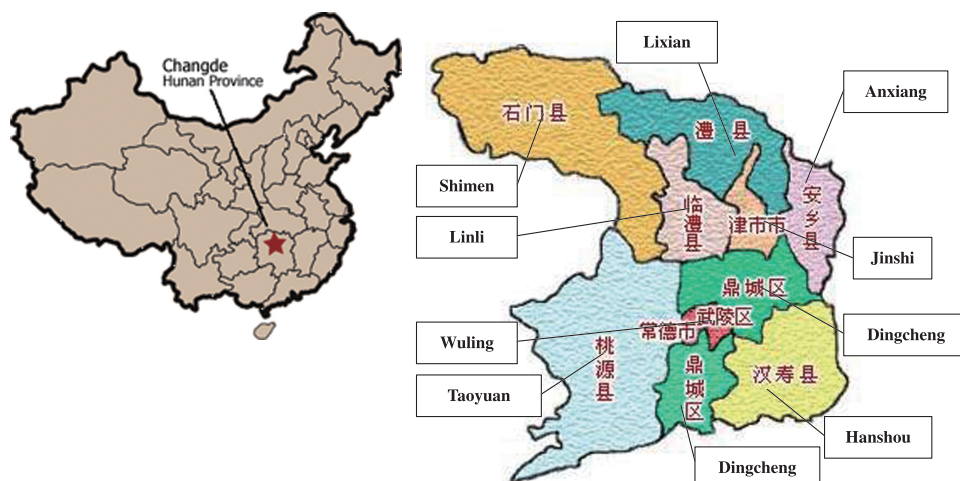
The first shipments came from Australia and were handled at facilities in Guangdong. Another terminal to be built in Jilin which takes imports from Indonesia. In 2007, construction began on a large natural gas terminal outside Shanghai. About two dozen similar facilities are either under construction or proposed. There are proposals for pipelines that can deliver natural gas to northern China from Siberia. The PRC is expected to enter into the Sakhalin Island gas project in Russia. In April 2006, the Chinese and Turkmenistan signed a deal in which Turkmenistan would sell natural gas to the Chinese and the Chinese would help Turkmenistan build a pipeline to deliver it. The Chinese has been invited to develop Bolivian gas fields.

The PRC has 22,664 kilometers of pipeline for natural gas, 15,256 kilometers of pipeline for oil and 6,106 kilometers of pipelines for refined products as of 2005. The 2,486 kilometer oil pipeline between Xinjiang and Shanghai began operating in September 2004. Shell and Exxon and the Russian's giant Gazprom have stakes in it. It follows parts of the Silk Road and crosses the Yellow and Yangtze Rivers. A new 600 mile pipeline between western China and Kazakhstan opened in 2006. Begun in September 2004, it carries oil from the Caspian Sea in Kazakhstan to the Chinese border, where it connects with the pipeline to the PRC's east coast.

It is aware that LNG is mainly used for power plants, industrial processing and household consumption. Most of the power plants in the PRC are still coal-fire power plants. If the price is the top priority, import LNG cannot compete with coal. However, industrial users and residential households are able to consume at a higher price. In recent years, with the supply of "pipeline gas from the West to the East" project, the demand for clean energy in the PRC has increased rapidly. Most of coastal cities are facing a shortage of supply of natural gas.

Looking at long term, many large-scale, long distance and cross regions pipeline networks shall emerge in the PRC. With well developed natural gas supply network and natural gas application equipment, certain industrial customers will likely start to use natural gas instead of electricity, crude oil, LPG and other energy and sources. With increased production cost of coal and environmental protection awareness, natural gas power plants will likely have more competitive advantages over coal power plants. Therefore, it is the inevitable trend for the PRC to increase importation of LNG to satisfy the surging demand of LNG.

Changde City is situated in the northwestern part of Hunan Province and is lying at both sides of the Yuan River (沅江) above its junction with the Dongting Lake system and stretching out to a total area of 18,189.8 square kilometers including urban district area of 2,748.82 square meters. Under its administration are two urban districts namely Wuling District (武陵區) and Dingcheng District (鼎城區), six counties namely Shimen (石門縣), Lixian (澧縣), Linli (臨澧縣), Anxiang (安鄉縣), Hanshou (漢壽縣), Taoyuan (桃源縣) and 1 county level city namely Jinshi (津市市). By the end of 2008, the city has a total population of approximately 6 million of which about 580,000 is living in urban areas and the Government targets to enlarge the urban population to 1,000,000 by 2020. For the industrial sector, the city is concentrating on light industries and currently its five pillar sectors comprise tobacco, cement, textile, equipment production and paper products.



BASIS OF VALUATION

Our valuation is our opinion of the Business Enterprise Value of Changde JV. The Business Enterprise Value has been valued on the basis of “Fair Value” in the premise of continued use which, in our appraisal, reflects the future economic benefit to be derived from the ownership of the Business Enterprise. Fair Value in continued use premise is defined as the estimated amount at which an asset might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the asset for implementation of its business plans. Business Enterprise Value is defined as the fair value of market capitalization plus the total interest-bearing debts minus cash or cash equivalents of a business enterprise.

The definition of fair value adopted in this valuation report is similar and/or interchangeable with definitions of the valuation standards below:

Market Value

According to The Hong Kong Business Valuation Forum – Business Valuation Standards, market value is defined as the estimated amount for which an asset (a property) should exchange on the date of valuation between a willing buyer and willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Fair Market Value

The International Valuation Glossary defines fair market value as the amount at which an asset would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

For the purpose of this valuation, the term fair value will be used throughout this valuation report. Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum, which are generally accepted valuation standards followed by relevant professional practitioners in Hong Kong. These standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

Our appraisal included discussions with the management of the Company in relation to the history and nature of the operations of the Changde JV; a review of the information provided by the Company and the management of the Changde JV in connection with the strategy of and the plan of action to be taken to implement the business plans. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arriving at our opinion of value, we have considered the following major factors:

- i. the nature, business model and the prospects of the business operations underlying the Changde JV;
- ii. the functional capacities and running costs of the Changde JV;
- iii. the specific economic and competitive elements affecting the Changde JV, the industry and the market which they are to be operated;
- iv. the market-derived investment returns of enterprises engaged in a similar line of business;
- v. the business risk of the Changde JV; and
- vi. the operating results of the Changde JV for the financial year ended 2008.

In view of the general environment and the particular situation in which the Changde JV is being operated, the following assumptions have been adopted in our appraisal in order to sufficiently support our concluded values:

- i. there will be no major change in the existing political, legal and economic conditions in the PRC in which the Changde JV is being operated;
- ii. save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the operators of the Changde JV;
- iii. the interest rates and exchange rates will not differ materially from those presently prevailing;

- iv. the routing, specification and construction of the gas pipeline network have been approved by the relevant Government authorities and there shall have no technical impediment and adverse ground condition for extending the network in accordance with the proposed routing and specifications. The Company shall be unfettered rights to operate the pipeline network throughout the authorised operating period expiring in 2033;
- v. the facilities, systems and the technology utilised by the Changde JV in carrying out its business operations do not infringe any relevant regulations and law;
- vi. Changde JV has obtained all necessary permits and approvals to develop and to carry out its business operations;
- vii. Except those interest bearing debts as reported in the its financial statements, Changde JV is free and clear of any lien, charge, option, pre-emption rights or other encumbrances or third party rights whatsoever;
- viii. Changde JV shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support its business operations; and
- ix. the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary value of the Changde JV.

VALUATION METHODOLOGY

The enterprise value of Changde JV has been valued by the Market Transaction Method. The market transaction method determines the fair value of an asset by reference to ‘valuation multiples’ implicit in the transaction prices of similar assets and companies in the market. A valuation multiple is a multiple determined by dividing the transaction price paid for comparable assets, or transaction price paid for a company with comparable assets, or the enterprise value paid for a company with comparable assets, by a fundamental variable. The numerator and denominator used, of course, determines what the multiple represents, for example, transaction price divided by net profits results in a price to earnings multiple and a transaction price divided by revenue results in a price to revenue multiple.

In additional, listed entities can also be used to benchmark as the current market capitalization of a listed company can be substituted for the transaction price as it represents what investors in the market are willing to pay for the equity in a particular company at that point in time.

The enterprise value (EV) to earnings before interest tax depreciation and amortization (EBITDA) ratio is considered to be the most appropriate multiple for valuing Changde JV for the following grounds:

- EV-to-EBITDA is more appropriate when comparing companies with different degrees of financial leverage; and
- EBITDA is useful for valuing capital-intensive businesses such as gas distribution businesses involving huge capital investment on fixed assets.

Enterprise value is defined as the fair value of market capitalization plus the total of interest bearing debts and minority interest minus cash or cash equivalents of a business enterprise.

We have searched for the EV-to-EBITDA ratios of selected listed companies based on their market share prices as established in the trading through the Stock Exchange as well as their assets and liabilities as reported in their latest annual reports. Those listed companies have been identified and selected on the following criteria:

- They are principally engaged in gas distribution businesses; and
- their business activities are carried out within mainland China.

No.	Name of Company	Brief description of businesses	EV at 30 April 2009 (HK\$ mil)	EBITDA for the trailing financial year (HK\$ mil)	EV-to- EBITDA Ratio
1	China Gas Holdings Limited (384 HK)	The company has operating divisions, namely: sales of piped gas, gas connection, sales of coke and gas appliances, property investment, and financial and securities investment. It owns a total of 79 natural gas projects, including exclusive piped gas development rights in 69 cities and regions, six natural gas pipeline transmission projects, one natural gas exploration project, one natural gas purification project, and one coal bed methane project, as well as the license to import and export liquefied natural gas (LNG) and other fuel products to and from the PRC.	10,883.094	758.883 (Note 1)	10,883.094/ 758.883 =14.341x

No.	Name of Company	Brief description of businesses	EV at 30 April 2009 (HK\$ mil)	EBITDA for the trailing financial year (HK\$ mil)	EV-to- EBITDA Ratio
2	China Oil and Gas Group Limited (603 HK)	The Company is principally engaged in investments in natural gas and energy-related businesses. Gas operations of the Company include piped gas business, pipeline design and construction, as well as transportation, distribution, sales of compressed natural gas and liquefied natural gas. As a piped city natural gas service provider, the Company supplies city natural gas through long-distance transmission pipelines. With franchise operation rights of gas in 16 cities, it has built up city pipeline networks, which offer natural gas resources to local household, industrial and commercial users.	1,386.167	291.971	1,386.167/ 291.971 =4.748x
3	Chinese People Holdings Limited (681 HK)	The Company is principally engaged in the sale and distribution of natural gas and liquefied petroleum gas (LPG) in the PRC, including the sale of LPG in bulk and in cylinders, the provision of piped LPG and natural gas, construction of gas pipelines, the operation of city gas pipeline network, the sale of LPG and natural gas household appliances and supply of video lottery system and equipment.	1,112.245	17.204 (Note 2)	1,112.245/ 17.204 =64.650x
4	Towngas China Company Ltd (1083 HK)	The Company is a supplier of gas, including liquid petroleum gas (LPG) and natural gas in China. The Company's areas of services include provision of natural gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale and distribution of liquefied petroleum gas (LPG), and the sale of natural gas and LPG household appliances.	5,893.376	674.463	5,893.376/ 647.463 =8.738x

No.	Name of Company	Brief description of businesses	EV at 30 April 2009 (HK\$ mil)	EBITDA for the trailing financial year (HK\$ mil)	EV-to- EBITDA Ratio
5	China Resources Gas Group Ltd (1193 HK)	The Company is organized into four segments: semiconductor, concrete, sale and distribution of gas fuel and related products, and gas connection. Semiconductor segments is engaged in the design, fabrication and packaging of integrated circuits and discrete devices. Concrete segment is engaged in the sale and distribution of gas fuel and related products (sale of liquefied petroleum gas and natural gas for residential, commercial and industrial use). During the year ended 31 December 2008, the Company disposed China Resources Microelectronics Limited (CR Microelectronics), which was engaged in semiconductor operation. It also disposed Rich Team Resources Limited, which was engaged in the production of sale of ready mixed concrete within Hong Kong. On 30 October 2008, the Company acquired CR Gas, which operates a portfolio of gas distribution business.	5,450.809	512.176 (Note 3)	5,450.809/ 512.176 =10.642x
6	Xinao Gas Holdings Limited (2688 HK)	The Company is principally engaged in the investment in, and the operation and management of, gas pipeline infrastructure and the sale and distribution of piped and bottled gas in the People's Republic of China. The Company operates in four divisions: gas connection, sales of piped gas, distributions of bottled liquefied petroleum gas and sales of gas appliances.	16,133.383	1,893.624 (Note 4)	16,133.383/ 1,893.624 =8.52x

No.	Name of Company	Brief description of businesses	EV at 30 April 2009 (HK\$ mil)	EBITDA for the trailing financial year (HK\$ mil)	EV-to- EBITDA Ratio
7	Zhengzhou Gas Company Limited (3928 HK)	The Company operates in two business segments. The sales of natural gas and other related products segment is engaged in the sale of natural gas and other related products, including pressure control equipments and gas appliances to customers, and provision of pipeline renovation work. The gas pipeline connection and construction segment is engaged in the connection and construction of gas pipelines. The gas appliances available for sale mainly include gas stoves, water heaters and wall-attached stoves. These gas appliances are purchased from several gas appliance producers and sold through the Company's sales outlets in Zhengzhou.	795.421	276.573	795.421/ 276.573 =2.876x
8	Zhongyu Gas Holdings Limited (8070 HK)	The Company is mover in developing a vertically integrated gas operation from upstream resource development to downstream distribution in the People Republic of China (PRC). It is principally engaged in the exploration, exploitation and development of coal-bed methane gas (CBM) and the development, construction of gas pipeline network and sales of piped gas and sales of natural gas from compressed natural gas (CNG) filling stations for vehicles in the PRC. Its downstream natural gas distribution business primarily consists of sales of piped gas, gas pipeline construction and sales of natural gas from CNG filling stations for vehicles.	697.593	101.966 (Note 5)	697.593/ 101.966 =6.841x

Notes:

1. Reported net income (HK\$119,774,000) has been normalized by adjusting for such nonrecurring items as drop in fair value of stock subscription (HK\$5,400,000), rise in fair value of investment properties (HK\$85,825,000), drop in fair value of held-for-trading investment (HK\$1,232,000), net gain on disposal of available-for-sale investments (HK\$1,144,000), impairment loss on amount due from customers for contract work (HK\$79,623,000), drop in fair value of derivative financial instruments (HK\$166,884,000), discount gained on acquisition of additional interest in subsidiary (HK\$108,000) and discount gained on acquisition of associates, a jointly controlled entity and businesses (HK\$19,191,000) as revealed from the annual report 2008.
2. Reported net loss (HK\$309,400,000) has been normalized by adjusting for such nonrecurring items as gain on disposal of subsidiaries of HK\$2,675,000, loss on disposal of an associate of HK\$2,324,000, drop in fair value of convertible bond of HK\$61,789,000, impairment loss due to earthquake of HK\$279,922,000, impairment in goodwill of HK\$8,397,000, rise in fair value of financial assets of HK\$71,998,000 as revealed from the annual report 2008.
3. Only net income from gas related business of the company is taken in the computation of EBITDA disregarding any profit and loss from non-gas related operations classified as discontinuous businesses of the company.

4. Reported net income (RMB630,705,000) has been normalized by adjusting for such nonrecurring items as incentive subsidies of RMB38,456,000, gain on foreign exchange of RMB89,917,000, gain on disposal of prepaid lease payment of RMB5,648,000, gain on deemed acquisition of a subsidiary of RMB1,294,000, discount on acquisition of business of RMB663,000 and financial guarantee income of RMB1,696,000 as revealed from the annual report 2008. The adjusted earnings are then converted into Hong Kong Dollars at an exchange rate of HK\$1 to RMB0.88.
5. Reported net loss (RMB91,565,000) has been normalized by adjusting for such nonrecurring items as impairment loss recognized on amounts due from customers for contract work of HK\$12,938,000, impairment loss on intangible assets of HK\$107,485,000, rise in fair value of derivative financial instruments of HK\$28,075,000, increase in fair value of investment properties of HK\$337,000 and Government subsidy of HK\$1,258,000 as revealed from the annual report 2008.

The comparable companies produced an average EV-to-EBITDA ratio of 15.17x. According to the financial information of Changde JV, its turnover, gross profit and net profit before profit tax reported for the financial year ended 31 December 2008 are RMB142,193,000, RMB48,810,000 and RMB15,624,000 respectively. Given the depreciation and amortization expenses of RMB13,956,000 for the financial year of 2008, the EBITDA of Changde JV is RMB29,580,000.

The enterprise value and shareholders' equity value of Changde JV are then computed as follows:

EBITDA of Changde JV	:	RMB29,580,000
Expected EV-to-EBITDA	:	15.17x (being the mean of the comparable ratios)
Enterprise value of Changde JV	:	RMB448,728,600
Less total debt of Changde JV	:	RMB27,545,000
Add cash on hand	:	RMB55,118,000
100% Entire shareholder' equity value of Changde JV	:	RMB476,301,600

LIMITING CONDITIONS

We have accepted such information in relation to the operations and financial projection of Changde JV from its management. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against Changde JV and its operating assets. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, Changde JV's rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes. No allowance has been made in our report for any charges, mortgages or amounts owing on Changde JV or its operating assets nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the assets are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We did not investigate any industrial safety and health related regulations in association with the operations of Changde JV. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

OPINION OF VALUE

Based upon the investigation and analysis outline above, our valuation basis, valuation assumptions and the appraisal method employed, it is our opinion that as of 30 April 2009, the Business Enterprise Value of Changde JV is represented by an amount of RMB448,728,600 (RENMINBI FOUR HUNDRED FORTY EIGHT MILLION SEVEN HUNDRED TWENTY EIGHT THOUSAND AND SIX HUNDRED ONLY).

Given the cash on hand of RMB55,118,000 and total interest bearing debt of RMB27,545,000, the Fair Value of the entire shareholders' equity of Changde JV is represented by an amount of RMB476,301,600 (RENMINBI FOUR HUNDRED SEVENTY SIX MILLION THREE HUNDRED AND ONE THOUSAND AND SIX HUNDRED ONLY).

We hereby certify that we have neither present nor prospective interest in the appraised assets or the value reported.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the asset appraised.

Yours faithfully,
For and on behalf of
Asset Appraisal Ltd.

TSE Wai Leung
MFin CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors (RICS), the Hong Kong Institute of Surveyors (HKIS), a Registered Professional Surveyor (RPS) in General Practice and a holder of Chartered Financial Analyst (CFA). He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 year's experience in valuation of businesses and assets in Hong Kong, in Macau and in the PRC.

The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation as at 30 April 2009 of the Hunan JV.



Asset Appraisal Limited
資產評估顧問有限公司

Room 802, 8/F, On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈8字樓802室
Tel: (852) 2529 9448 Fax: (852) 3521 9591

24 June 2009

The Board of Directors

Aptus Holdings Limited

Room 2201, 22/F

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

The Board of Directors

China Vanguard Group Limited

Room 2201, 22/F

Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

Dear Sirs,

The following is in accordance with the instructions from Aptus Holdings Limited (the "Company") to provide a value opinion on the business enterprise of Hunan Huayou Natural Gas Transportation & Distribution Company Limited ("Hunan JV") in which the Company is currently holding an equity interest of 33%.

We confirm that we have inspected the operating assets of the Hunan JV in Changsha City and Changde City, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of valuation of Hunan JV as at 30 April 2009 (referred to as the "valuation date").

This letter which forms part of our valuation report explains the basis and methodology of valuation and the limiting conditions.

INTRODUCTION

By virtue of the Hunan Acquisition Agreement (the “**Hunan Acquisition Agreement**”) entered into among the Company, China Huayou Group Corporation and Beijing Xin Hua Lian Gas Investment Co., Ltd., on 25 July 2006, the Company has acquired 33% equity interest in the Hunan JV by making capital contribution with a sum of RMB79,599,000. The Hunan Acquisition Agreement has been completed and the Company owns a 33% equity interest in the Hunan JV.

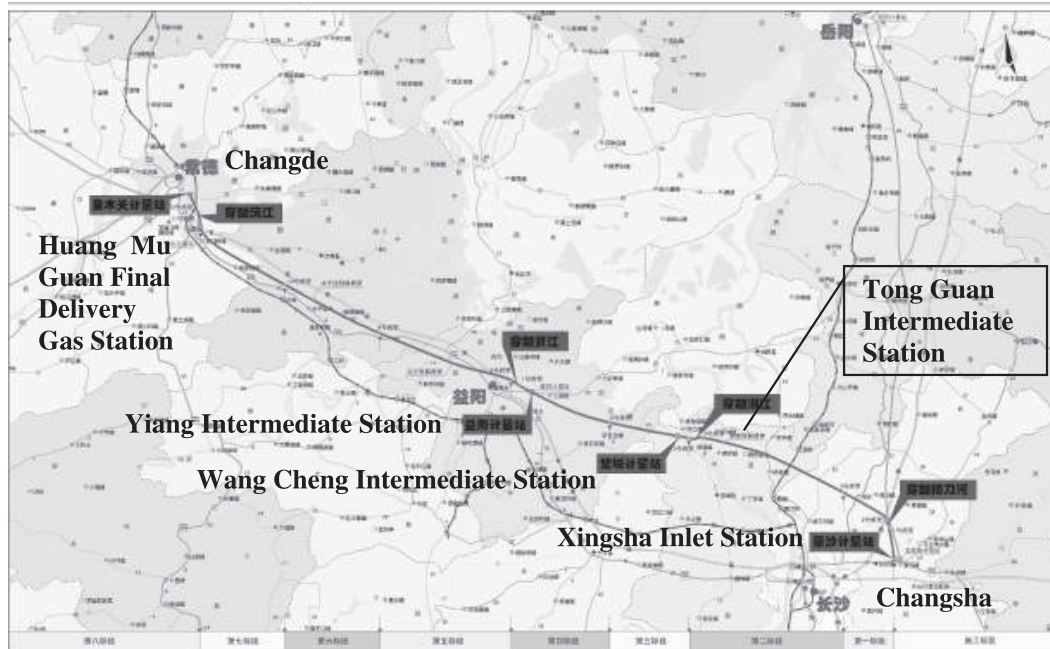
Hunan JV is a limited company established in the PRC on 22 April 2005. It is principally engaged in the construction and development of natural gas pipelines and related consultation services in the PRC. At the time being, it is holding and operating the Changsha-Changde Natural Gas Transmission Pipeline (the “**Pipeline**”) extending from Changsha City to Changde City with a total length of 188 kilometers. The Pipeline is a provincial level main gas pipeline connecting Zhongxian-Wuhan pipeline which is one of the branches of the trunk of the West-East Gas Pipeline and originates from Chongqing City.

The Pipeline intakes natural gas sourced from natural gas fields operated by the group company of China National Petroleum Corporation at the Inlet Station situated at Xingsha, a suburban area of Changsha City. The gas is purified and volume gauged at the Inlet Station and then transmitted to and offloaded at various local gas pipelines networks or gas storage facilities at various locations via the intermediate stations established along the Pipeline before reaching the Final Delivery Station at Huangmuguan of Changde City. Currently, intermediate stations are established at Wangcheng County (望城縣), Tongguan Town (銅官鎮) and Yiyang City (益陽市).

*Xingsha Inlet Station**Xingsha Inlet Station**Wang Cheng Intermediate Station**Tong Guan Intermediate Station**Yiyang Intermediate Station**Huangmuguan Final Delivery Station*

In addition, safety block valve rooms are installed at Ansha Town (安沙鎮) of Changsha County, Ding Zhi Town (丁字鎮) of Wangcheng County, Quan Jiao He Town (泉交河鎮) of Yiyang City, Chang Chun Town (長春鎮) of Yiyang City, Jun Shan Fu Town (軍山鋪鎮), Nie Jia Qiao Xiang (聶家橋鄉), Zhu Mu Shan Xiang (株木山鄉) of Han Shou County (漢壽縣) and Jia Ping Village (家坪村) of Changde City along the Pipeline.

Prior to the completion of the Pipeline, consumption of natural gas in these regions has been satisfied by various natural gas storage stations which have to be refilled from time to time by gas refueling trailers. The Pipeline provides direct passage of natural gas to the local distribution networks from the gas sources. It serves to remove the logistical bottlenecks and effectively lower operating costs and enhance future growth of natural gas consumption. The operating term of the Hunan JV spans from 21 April 2005 to 21 April 2055.



Based on the existing design and the installed equipment where gas is transmitted at a maximum pressure of 4Kpa, the Pipeline has a maximum transmission capacity of 250 million Nm^3 per annum. Upon installation of additional gas pressurizing facilities at the Huangmuguan Inlet Station, the maximum transmission capacity of the pipeline can be enhanced to 600 million Nm^3 per annum. Vacant land for housing the additional gas pressurizing facilities has been reserved and set aside at the Xingsha Inlet Station for such future expansion purposes.

Commencing operations in late 2006, the Pipeline generates income in term of Nm^3 of natural gas passing through it. Based on the measurements obtained from the Xingsha Inlet Station, throughput of the Pipeline for year 2007 and 2008 and the period between 1 January 2009 and 27 April 2009 were 31.70 million Nm^3 , 58.45 million Nm^3 and 29.78 million Nm^3 respectively.

INDUSTRY OVERVIEW

The efficient and effective movement of natural gas from producing regions to consumption regions requires an extensive and elaborate transportation system from the point it is produced or processed to the point it is consumed. There are essentially three major types of pipelines along the transportation route, namely the gathering systems, the inter-provincial or intra-provincial linkages and the distribution networks. The gathering system consists of low pressure, low diameter pipelines that transport raw natural gas from the wellhead to the processing plant. The inter-provincial or intra-provincial linkages carry CNG over a long distance from the processing plant to the distribution networks where it is consumed by the end users.

The inter-provincial or intra-provincial linkages are the highways of CNG transmission. CNG is transported through the pipelines at high pressure. This reduces the volume of the natural gas as well as providing propellant force to move the natural gas through the pipeline. Operators of an inter- or intra-provincial pipeline serve customers on both ends of the pipeline – the producers or processors that input natural gas into the pipeline and the local gas distribution companies that take gas out of the pipeline into their local gas distribution networks. To accomplish this task of monitoring and controlling the CNG that is traveling through the pipeline, a centralised gas control station that collects, assimilates and manages data received from monitoring stations along the pipeline is set up.

Natural gas has the advantages of cleanness, high efficiency, rich resources and easy transportation. Currently, coal accounts for about 72% of the PRC's energy consumption, while natural gas only accounts for 2.5%, far lower than the world average of 25% and also lower than the average level of 8.8% in Asia.

Since 2005, the PRC's natural gas consumption structure began to change. The chemical industry and urban fuel gas account over 60% of the total consumption. As fuel gas rapidly replaces fuel coal in household consumption, urban fuel gas consumption has been growing the fastest. As the demand for natural gas grows, the PRC's consumption structure will be further optimised in the future. Natural gas will gradually become the main fuel in the urban fuel gas market, and the level of urbanisation (i.e. the ratio of urban area to total living area of the PRC, an indicator of the extent to which rural area is turned into urban area) will rise to 55% to 60% in 2020 from 43% at present. In addition, demand of natural gas will also shift regionally.

According to a five-year statistics in 2006, the growth in the PRC's energy consumption is much higher than the world average. The five-year average increase for primary energy consumption in the PRC is 11.17%, and is 9% for oil consumption. The average oil import volume has increased by 19.23% annually. Since 1993, The PRC has become a net oil importing country from an oil exporting country. In 2007, the PRC has imported a total of 163 million tons of crude oil with 12.39% growth in comparison with 2006.

With the economic development of the PRC and improvement of Chinese living standard, it may be noticed that the demand for natural gas and other clean energy have been increased as well. In the last five years, natural gas consumption has been increasing by 15.71% annually,

which exceeded almost 7 percentage point in comparison with crude oil consumption. The total natural gas consumption in 2007 was 67.3 billion Nm³ with 21% growth in comparison with 2006. Although the PRC has started increasing the consumption of natural gas, it is still only a small percentage in total energy consumed. According to statistics in 2006, natural gas consumption is less than 3% in the total primary energy consumed. This number is much lower than the world average of 23.67%. The consumption ratio in the PRC for natural gas and crude oil is only 14.3%, which is way below the world average of 66.2%. With a limited domestic natural gas supply in The PRC and transportation difficulties from source to consumer, there is a large gap between supply and demand of natural gas. It is an urgent matter for the Chinese to import natural gas. Actually, the increase in natural gas consumption in the PRC is restricted by the supply, so actual increased consumption does not reflect the real demand underneath.

Between 1985 and 2004, annual natural gas consumption tripled from 13 billion Nm³ to 31 billion Nm³ in the PRC and consumption further increased to around 45 billion Nm³ in 2005. All of it was produced in the PRC. Statistics shows that Chinese natural gas consumption will reach 100 -120 billion Nm³ per year in 2010, and in 2020, it is likely to reach 200-240 billion Nm³ annually.

Demand for natural gas is currently satisfied mostly by domestic fields. In the future, imports are expected to increase significantly. As of 2004, the PRC was building 23 gas-fired power plants, with 16 more planned. The PRC has an abundance of natural gas (proven reserves of 8 trillion Nm³) but much of it is in remote locations – particularly Xinjiang and Inner Mongolia – and require expensive pipelines to bring it to users. There are large reserves of natural gas in the Chuandongbei gas field near Chongqing in Sichuan. A pipeline is being built there to transmit the gas to central China. Beijing is currently getting natural gas from Shanxi. Natural gas is produced in the Yacheng gas field, 60 miles off the Coast of Hainan Island.

Looking globally, liquefied natural gas (“LNG”) supply is in high demand. With the exception of a very few places, the rest of the country or regions with rich gas resources have been exploited. The price of LNG in the international market is closely linked with the price of crude oil. The price of recent signed LNG sale and purchase agreement was almost 100% linked with the caloric value of crude oil.

The PRC imports LNG from Australia, Indonesia and the Middle East. The PRC began importing LNG in the mid 2000s and is expected to import 20 million tons within five years.

The first shipments came from Australia and were handled at facilities in Guangdong. Another terminal to be built in Jilin which takes imports from Indonesia. In 2007, construction began on a large natural gas terminal outside Shanghai. About two dozen similar facilities are either under construction or proposed. There are proposals for pipelines that can deliver natural gas to northern China from Siberia. The PRC is expected to enter into the Sakhalin Island gas project in Russia. In April 2006, the Chinese and Turkmenistan signed a deal in which Turkmenistan would sell natural gas to the Chinese and the Chinese would help Turkmenistan build a pipeline to deliver it. The Chinese has been invited to develop Bolivian gas fields.

The PRC has 22,664 kilometers of pipeline for natural gas, 15,256 kilometers of pipeline for oil and 6,106 kilometers of pipelines for refined products as at 2005. The \$5.2 billion, 2,486-kilometer oil pipeline between Xinjiang and Shanghai began operating in September 2004. Shell and Exxon and the Russian's giant Gazprom have stakes in it. It follows parts of the Silk Road and crosses the Yellow and Yangtze Rivers. A new 600-mile pipeline between western China and Kazakhstan opened in 2006. Begun in September 2004, it carries oil from the Caspian Sea in Kazakhstan to the Chinese border, where it connects with the pipeline to the PRC's east coast.

LNG is mainly used for power plants, industrial processing and household consumption. Most of the power plants in the PRC are still coal-fire power plants. If the price is the top priority, imported LNG cannot compete with coal. However, industrial users and residential households are able to consume at a higher price. In recent years, with the supply of "pipeline gas from the West to the East" project, the demand for clean energy in the PRC has increased rapidly. Most of coastal cities are facing the shortage of supply of natural gas.

Looking at long term, many large-scale, long distance and across regions pipeline networks shall emerge in the PRC. With well developed natural gas supply networks and natural gas application equipment, certain industrial customers will likely start to use natural gas instead of electricity, crude oil, LPG and other energy sources. With increased production cost of coal and environmental protection awareness, natural gas power plants will likely have more competitive advantages over coal power plants. Therefore, it is the inevitable trend for the PRC to increase importation of LNG to satisfy the surging demand of LNG.

Changde City is situated in the northwestern part of Hunan Province and is lying at both sides of the Yuan River (沅江) above its junction with the Dongting Lake system and is stretching a total area of 18,189.8 square kilometers including urban district area of 2,748.82 square metres. Under its administration are two urban districts namely Wuling District (武陵區) and Dingcheng District (鼎城區), six counties namely Shimen (石門縣), Lixian (澧縣), Linli (臨澧縣), Anxiang (安鄉縣), Hanshou (漢壽縣), Taoyuan (桃源縣) and 1 county level city namely Jinshi (津市市). By the end of 2008, the city has total population of approximately 6 million of which about 580,000 is living in urban area and the Government targets to enlarge the urban population to 1,000,000 by 2020. For the industrial sector, the city is concentrating on light industries and currently its five pillar sectors comprise tobacco, cement, textile, equipment production and paper products.

BASIS OF VALUATION

Our valuation is our opinion of the Business Enterprise Value of Hunan JV. The Business Enterprise Value has been valued on the basis of "Fair Value" in the premise of continued use which, in our appraisal, reflects the future economic benefit to be derived from the ownership of the Business Enterprise. Fair Value in continued use premise is defined as the estimated amount at which an asset might be expected to exchange between a willing buyer and a willing seller, neither being under compulsion, each having reasonable knowledge of all relevant facts, and with the buyer and seller contemplating retention of the asset for implementation of its business plans. Business Enterprise Value is defined as the fair value of market capitalization plus the total interest-bearing debts minus cash or cash equivalents of a business enterprise.

The definition of fair value adopted in this valuation report is similar and/or interchangeable with definitions of the valuation standards below:

Market Value

According to The Hong Kong Business Valuation Forum – Business Valuation Standards, market value is defined as the estimated amount for which an asset (a property) should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

Fair Market Value

The International Valuation Glossary defines fair market value as the amount at which an asset would change hands between a willing buyer and a willing seller, when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both parties having reasonable knowledge of relevant facts.

For the purpose of this valuation, the term fair value will be used throughout this valuation report. Our valuation has been prepared in accordance with the HKIS Valuation Standards on Trade related Business Assets and Business Enterprise (First Edition 2004) published by the Hong Kong Institute of Surveyors and the Business Valuation Standards (First Printed 2005) published by the Hong Kong Business Valuation Forum, which are generally accepted valuation standards followed by relevant professional practitioners in Hong Kong. These standards contain detailed guidelines on the basis and valuation approaches in valuing assets used in the operation of a trade or business and business enterprises.

Our appraisal included discussions with the management of the Company in relation to the history and nature of the operations of the Hunan JV; a review of the information provided by the Company and the management of the Hunan JV in connection with the strategy of and the plan of action to be taken to implement the business plans. We have assumed that such information, opinions and representation provided to us are true and accurate. Before arriving at our opinion of value, we have considered the following major factors:

- i. the nature, business model and the prospect of the business operations underlying the Hunan JV;
- ii. the functional capacities and running costs of the Hunan JV;
- iii. the specific economic and competitive elements affecting the Hunan JV, the industry and the market which they are to be operated;
- iv. the market-derived investment returns of enterprises engaged in a similar line of business;
- v. the business risk of the Hunan JV; and

- vi. the development costs incurred by Hunan JV in building the Pipeline as reported in its audited financial statement.

In view of the general environment and the particular situation in which the Hunan JV is being operated, the following assumptions have been adopted in our appraisal in order to sufficiently support our concluded values:

- i. there will be no major change in the existing political, legal and economic conditions in the PRC in which the Hunan JV is being operated;
- ii. save for those proposed changes on taxation policies announced by the Tax Bureau of the PRC, there will be no major change in the current taxation law and tax rates as prevailing and that all applicable laws and regulations on taxation will be complied with by the operators of the Hunan JV;
- iii. the interest rates and exchange rates will not differ materially from those presently prevailing;
- iv. the routing, specification and construction of the gas pipeline network have been approved by the relevant Government authorities. The Company shall be unfettered rights to operate the pipeline network throughout the authorised operating period expiring in 2055;
- v. the facilities, systems and the technology utilised by the Hunan JV in carrying out its business operations do not infringe any relevant regulations and law;
- vi. Hunan JV have obtained all necessary permits and approvals to develop and to carry out its business operations;
- vii. Except the interest bearing debts as reported in the its financial statements, Hunan JV is free and clear of any lien, charge, option, pre-emption rights or other encumbrances or third party rights whatsoever;
- viii. Hunan JV shall secure and retain competent management, key personnel, marketing and technical staff to carry out and support its business operations; and
- ix. the estimated fair value does not include consideration of any extraordinary financing or income guarantees, special tax considerations or any other atypical benefits which may influence the ordinary value of the Hunan JV.

VALUATION METHODOLOGY

The enterprise value of Hunan JV has been valued by the asset approach which determines a value indication of a business based on the value or cost, wherever applicable, of the assets of the business. As mentioned above, the service provided by long distance gas transmission pipelines is a free and uninterrupted passage of gas moved from one end to the other end(s) of the pipeline. Revenue generated from a pipeline is basically depending on one or a few producers or processors which input natural gas from the gas sources into the pipelines and pay gas transmission fee to the pipeline operators. Normally, the magnitude of transmission fee is set in a way to compensate the pipeline operator with a fair and reasonable return on the initial costs for developing the pipeline. Further, it is common to find that many municipal or local governments, which aim at promoting the utilization of natural gas in urban area, have encouraged investors from private sector to build up long-distance gas transmission infrastructures for continuous gas supply from the nearest gas sources. In many cases, the interested investors would be granted the rights to operate the gas transmission pipeline by the Government when they commit to invest the costs for building the pipelines.

The followings are gas/oil transmission pipeline projects where the operators have taken up these projects by investing the development costs of the pipelines.

In October 2008, Tianjin Tianlian Public Utilities Company Limited (Stock Code: 08290) committed to develop two natural gas transmission pipelines namely the Beihuan Pipeline and the Gangnan Pipeline in Tianjin. Beihuan Pipeline is running a distance of 25 kilometres from Dongjin Road at the west to Hai Fang Road at the west with a designed maximum annual throughput of 2 billion Nm³. Gangnan Pipeline is running a distance of 25 kilometres from Dazhangtuo Underground Gas Depot Exit Dongjin Road at the south to the first station of Bin Hai Zhong You Xian Shui Gu at the north with a designed maximum annual throughput of 1 billion Nm³. The two pipelines cost approximately RMB224.5 million to build (approximately RMB4.5 million/km).

Tianjin is positioned as an international portal city and an economic center in north China in the Overall Planning for the Development of Tianjin (2005-2020) while Tianjin Binhai New District has been included in the PRC's overall development strategy and in the planning for the 11th Five-Year (2006-2010) program of the economy and social development of Tianjin. Over the decade, a number of measures and projects have been implemented by the Tianjin Municipal Government to boost the usage of natural gas which is planned to be the primary energy in Tianjin. Despite the rapid growth in the Binhai New District, the existing high pressure natural gas pipelines transmitting natural gas from Tianjin to the Binhai New District and the industrial areas around cannot satisfy the current demands as the diameters of those pipelines are small and their transmission capacities are low. The construction of the Beihuan Pipeline and the Gangnan Pipeline can improve the high pressure pipeline network in Tianjin and provide a safe and stable gas supply capacity, which can meet gas demands of the Binhai New District.

To take up these projects, Tianjin Tianlin Public Utilities Company Limited's only capital investment is the development costs for building the pipelines.

On 11 September 2007, China Gas Holdings Limited (Stock Code: 00384) announced that its wholly-owned subsidiary Zhongren Investment Limited has signed an agreement with Cangzhou Mingzhu Plastic Company Limited and Hebei Shengde Gas Company Limited to establish a joint venture for operating natural gas transmission business in Huanghua City, Hebei Province. The joint venture invested in a natural gas transmission pipeline project extending from Xiaohanzhuang, Huanghua City to Bohai New Zone with a total distance of 45.9 kilometres. The pipeline starts from the Xiaohanzhuang sub-station of PetroChina's Dagang-Cangzhou Pipeline and the Dagang-Cangzhou double gas pipeline and end at Lingang Industrial Zone, Hebei Province and supplies natural gas to the industrial zone and the South Dagang Precinct and Huanghua City. The initial capital requirements of the joint venture in taking up this project is the development costs at a sum of RMB68.98 million for building the gas pipeline (approximately RMB1.5 million/km).

On 11 September 2007, Genesis Energy Holdings Limited (Stock Code: 00702) announced that Elite Ascend Holdings Limited (its wholly-owned subsidiary) agreed to disposed the entire shareholders' equity in Bamber Resources Limited ("Bamber"). Bamber is an investment company of which the only asset is 80% shareholders' equity in Xinjiang Xingmei Oil-Pipeline Co., Ltd. ("Xingmei"). Xingmei is a sino-foreign equity venture established in the PRC and is principally engaged in the construction and operation of an oil pipeline of approximately 70 kilometres stretching from Ta He Oil Field to Lun Tai Railway Station in Xinjiang Uygur Autonomous Region, the PRC. The consideration of the transaction is RMB1 plus total liabilities of RMB385.2 million (being 80% of total liabilities of RMB481.5 million of Xingmei attributable to Bamber) assumed or waived by the purchaser. The carrying value of the disposed assets as at 30 June 2007 is RMB430.9 million (approximately RMB6.16 million/km).

In 2006, China Petroleum & Chemical Corporation ("Sinopec", Stock Code: 00386) was approved by the Government to build one of the PRC's gas arteries spanning between the Puguang Gas Field in Sichuan to Shanghai, passing Hubei, Anhui, Jiangxi, Jiangsu and Zhejiang and running a total mainline length of approximately 1,700 kilometres. The gas pipeline has an annual throughput of 12 billion Nm³. Sinopec's only capital investment is the development cost as estimated at RMB62.7 billion for building the pipeline (approximately RMB3.7 million/km).

The enterprise value and shareholders' equity value of Hunan JV are then computed as follows:

Enterprise value of Hunan JV	:	RMB394,000,000 (<i>Note</i>)
Less total debt of Hunan JV	:	RMB250,000,000
Add cash on hand	:	RMB12,496,000
100% Entire shareholder' equity value of Hunan JV	:	RMB156,496,000

Note: The enterprise value of Hunan JV is represented by the replacement costs or RMB394,000,000 (approximately RMB2.1 million/km) of the Pipeline which is the major asset recorded in its balance sheet.

LIMITING CONDITIONS

We have accepted such information in relation to the operations and financial projection of Hunan JV from its management. We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We were also advised by the Company that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

No responsibility is assumed for matters legal in nature. No investigation has been made of the title to or any liabilities against Hunan JV and its operating assets. In this valuation, it is presumed that, unless otherwise noted, the owners' claim is valid, Hunan JV's rights are good and marketable, and there are no encumbrances which cannot be cleared through normal processes. No allowance has been made in our report for any charges, mortgages or amounts owing on Hunan JV or its operating assets nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the assets are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We did not investigate any industrial safety and health related regulations in association with the operations of Hunan JV. It is assumed that all necessary licenses, procedures and measures were implemented in accordance with the government legislation and guidance.

OPINION OF VALUE

Based upon the investigation and analysis outline above, our valuation basis, valuation assumptions and the appraisal method employed, it is our opinion that as of 30 April 2009, the Business Enterprise Value of the Hunan JV is represented by an amount of RMB394,000,000 (RENMINBI THREE HUNDRED NINETY FOUR MILLION ONLY).

Given the cash on hand of RMB12,496,000 and total interest bearing debt of RMB250,000,000, the Fair Value of the entire shareholders' equity of the Hunan JV is represented by an amount of RMB156,496,000 (RENMINBI ONE HUNDRED FIFTY SIX MILLION FOUR HUNDRED AND NINETY SIX THOUSAND ONLY).

We hereby certify that we have neither present nor prospective interest in the appraised assets or the value reported.

This conclusion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have not investigated the title to or any liabilities against the asset appraised.

Yours faithfully,
For and on behalf of
Asset Appraisal Ltd.

TSE Wai Leung
MFin CFA MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors (RICS), the Hong Kong Institute of Surveyors (HKIS), a Registered Professional Surveyor (RPS) in General Practice and a holder of Chartered Financial Analyst (CFA). He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 year's experience in valuation of businesses and assets in Hong Kong, in Macau and in the PRC.

1. RESPONSIBILITY STATEMENT

This circular, for which the Aptus Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes of giving information with regard to the Aptus Group. The Aptus Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters or facts the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(a) Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of Aptus or any Associated Corporation

As at the Latest Practicable Date, the interests and short positions of the Aptus Directors and chief executives of Aptus in the shares, underlying shares and debentures of Aptus or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to Aptus 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 Aptus and the Stock Exchange, were as follow:

(i) Long positions in the ordinary shares of Aptus or any of its associated corporations

Name of Director	Aptus/ Name of associated corporation	Number of ordinary shares held				Approximate percentage of shareholding
		Interest in controlled corporation	Beneficial owner	Family interest	Total interest	
Madam Cheung	Aptus	971,746,428 (Note 1)	–	–	971,746,428	55.12%
	CVG	2,095,857,322 (Notes 4 & 5)	2,070,000	–	2,097,927,322 (Note 6)	65.32%

Notes:

1. These 971,746,428 Aptus Shares are held by Precise Result.
2. Precise Result is a company incorporated in BVI and is a wholly-owned subsidiary of China Success. As at the Latest Practicable Date, 48,750,000 Aptus Shares out of such 971,746,428 Aptus 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 CVG.
4. These 2,095,857,322 CVG Shares are held by Best Frontier.
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 and 1 share is held by Mr. Chan Tung Mei. As Madam Cheung 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, being an Aptus Director, is also a director of Best Frontier.
6. In addition to the interest in the aggregate of 2,097,927,322 CVG Shares as set out in the table above, Madam Cheung is interested in the following underlying shares of CVG:
 - (i) 6,240,000 CVG Shares, being the maximum number of CVG Shares which may be allotted and issued to Madam Cheung upon exercise of the options granted to Madam Cheung under the share option scheme of CVG which are outstanding as at the Latest Practicable Date; and
 - (ii) 6,240,000 CVG Shares, being the maximum number of CVG Shares 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 CVG which are outstanding as at the Latest Practicable Date and which Madam Cheung is deemed to be interested by virtue of Mr. Chan Tung Mei being the spouse of Madam Cheung pursuant to the SFO.

(ii) Share options of Aptus

As at the Latest Practicable Date, there was no share option which had been granted or agreed to be granted to the Aptus Directors and chief executives under the Aptus' share option scheme which was outstanding and exercisable.

Save as disclosed herein, as at the Latest Practicable Date, none of the Aptus Directors or chief executives of Aptus had any interests or short positions in any shares, underlying shares or debentures of Aptus or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to Aptus 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 required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to Aptus and the Stock Exchange.

**(b) Substantial Shareholders' Interests and Short Positions in the Shares,
Underlying Shares and Debentures of Aptus**

As at the Latest Practicable Date, so far as is known to the Aptus Directors or chief executives of Aptus, the following persons (other than an Aptus Director or chief executive of Aptus) had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of Aptus which would fall to be disclosed to Aptus under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meeting of any member of the Aptus Group:

(i) Long positions in the shares and underlying shares of Aptus

Name of Shareholders	Capacity/ Nature of interest	Number of Aptus Shares held	Number of share options and underlying Aptus Shares held	Aggregate long position	Approximate percentage of shareholding
Precise Result <i>(Note 2)</i>	Beneficial owner	971,746,428 <i>(Note 1)</i>	–	971,746,428	55.12
China Success <i>(Notes 3 and 4)</i>	Interest in controlled corporation	971,746,428 <i>(Note 1)</i>	–	971,746,428	55.12
CVG <i>(Notes 1 and 4)</i>	Interest in controlled corporation	971,746,428 <i>(Note 1)</i>	–	971,746,428	55.12
Best Frontier <i>(Notes 4 & 5)</i>	Interest in controlled corporation	971,746,428 <i>(Note 1)</i>	–	971,746,428	55.12
Madam Cheung <i>(Notes 5 and 6)</i>	Interest in controlled corporation	971,746,428 <i>(Note 1)</i>	–	971,746,428	55.12
Chan Tung Mei <i>(Notes 5 and 6)</i>	Interest in controlled corporation	971,746,428 <i>(Note 1)</i>	–	971,746,428	55.12
Evolution <i>(Note 8)</i>	Beneficial owner	–	455,282,314	455,282,314	25.83
Evolution Capital Management LLC ("Evo LLC") <i>(Note 8)</i>	Investment manager	–	455,282,314	455,282,314	25.83
Structured Investments Ltd. <i>(Note 8)</i>	Other	–	455,282,314	455,282,314	25.83
Evo Capital Management Asia Limited ("Evo Capital") <i>(Note 8)</i>	Investment manager	–	455,282,314	455,282,314	25.83

(ii) *Short positions in the underlying shares of Aptus*

Name of Shareholders	Capacity/Nature of interest	Number of underlying shares	Approximate percentage of shareholding
Evolution (<i>Note 8</i>)	Beneficial owner	48,750,000	2.77
Evo LLC (<i>Note 8</i>)	Investment manager	48,750,000	2.77

Notes:

- Such 971,746,428 Aptus Shares refer to the same parcel of shares.
- Precise Result is a company incorporated in BVI and is a wholly-owned subsidiary of China Success. As at the Latest Practicable Date, 48,750,000 Aptus Shares out of such 971,746,428 Aptus Shares owned by Precise Result have been lent to Evolution.
- China Success is a company incorporated in BVI and a wholly-owned subsidiary of CVG. Best Frontier is the holding company of CVG holding 2,095,857,322 CVG Shares representing approximately 65.25% of the issued share capital of CVG as at the Latest Practicable Date.
- By virtue of the SFO, each of China Success, CVG and Best Frontier is deemed to be interested in these 971,746,428 Aptus Shares directly held by Precise Result.
- 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 and 1 share is held by Mr. Chan Tung Mei. As Madam Cheung 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, he is deemed to be interested in the entire issued share capital of Best Frontier by virtue of the SFO.
- Since each of Madam Cheung 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 Aptus Shares.
- Each of Madam Cheung and Mr. Chan Ting, being an Aptus Director, is also a director of each of Precise Result, China Success, CVG and Best Frontier.

Each of Mr. Tian He Nian, Mr. Zhang Xiu Fu, Mr. Zhao Zhi Ming and Mr. To Yan Ming Edmond, being an Aptus Director, is also a CVG Director.

- Evolution is an Asia-focused fund organised and existing under the laws of the Cayman Islands.

The investment managers of Evolution are Evo Capital, a Hong Kong-based asset management company, and Evolution LLC, a US-based investment adviser. Evo Capital is licensed under the SFO to carry on Type 9 (asset management) activities.

As at the Latest Practicable Date, Evolution has borrowed 48,750,000 Aptus Shares (“Borrowed Shares”) from Precise Result pursuant to the stock lending agreement dated 22 November 2006 entered into between CVG and Evolution.

Each of Evo Capital and Evo LLC is interested in the Borrowed Shares in its capacity as investment manager. Structured Investments Ltd. (a wholly-owned subsidiary of Evolution) is interested in the Borrowed Shares by virtue of Evolution having written a participation right to it.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Aptus Directors or chief executives of Aptus, there was no substantial shareholder of Aptus (other than the Aptus Directors or chief executives of the Aptus) who had interests or short positions in the Aptus Shares or underlying shares of Aptus which would fall to be disclosed to Aptus under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of Aptus and/or any other member of the Aptus Group, or were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

(c) Interests of other persons in Aptus

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Aptus Directors or chief executives of Aptus, there was no person or company (other than the Aptus Directors, chief executives or substantial shareholders of Aptus) who had any interests or short positions in the Aptus Shares or underlying shares of Aptus which would fall to be disclosed to Aptus under the provisions of Divisions 2 and 3 of Part XV of the SFO, and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be 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 Aptus Group.

3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Aptus Group within the two years immediately preceding the date of this circular and are, or may be, material:

- (a) the Deed of Waiver;
- (b) the First Amendment Deed;
- (c) the Second Amendment Deed;
- (d) the Master Agreement;
- (e) the Termination Agreement;
- (f) the Changde Sale Agreement;
- (g) the Hunan Sale Agreement; and
- (h) the deed of acknowledgement and undertaking dated 19 June 2009 between Aptus and Evolution referred to in the sub-section headed “Use of Proceeds” in the section headed “Joint Letter from the Aptus Board and the CVG Board” in this circular.

4. SERVICE CONTRACTS OF THE APTUS DIRECTORS

As at the Latest Practicable Date, none of the Aptus Directors had any existing or proposed service contract with any member of the Aptus Group (excluding contracts expiring or determinable by the relevant member of the Aptus Group within one year without payment of compensation other than statutory compensation).

5. WORKING CAPITAL

The Aptus Directors are of the opinion that, after taking into account the Aptus Group's present internal resources and available banking facilities or similar indebtedness upon completion of the Disposal Transactions, the Aptus Group has sufficient working capital for its present requirements for at least the next 12 months from the date of publication of this circular.

6. INDEBTEDNESS

As at the close of business of 30 April 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Aptus Group had borrowings and outstanding convertible bonds of approximately HK\$438,855,000 comprising:

- (a) secured bank borrowings of approximately HK\$93,709,000;
- (b) guaranteed other borrowings of approximately HK\$31,621,000;
- (c) unsecured other borrowings of approximately HK\$15,645,000; and
- (d) liability component of secured convertible bonds of approximately HK\$297,880,000.

The Aptus Group's bank borrowings of approximately HK\$93,709,000 are secured by gas network of a jointly controlled entity.

The Aptus Group's other borrowings of HK\$16,500,000 are secured by corporate guarantee from CVG, and the remaining other borrowings of HK\$15,121,000 are secured by corporate guarantee given by a shareholder of a jointly controlled entity.

The Aptus Group's Bond(s) of approximately HK\$297,880,000 are secured by 100% of the issued share capital of Good United, a subsidiary of Aptus.

Save as aforesaid and apart from intra-group liabilities, the Aptus Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial lease or hire purchase commitments, liabilities under acceptances or acceptance credits guarantees or other material contingent liabilities as at 30 April 2009.

7. COMPETING INTEREST

As at the Latest Practicable Date, so far as the Aptus Directors were aware, none of the Aptus Directors, employees or controlling shareholder of Aptus nor their respective associates had any business or interest that competed or might compete with the business of the Aptus Group or any other conflicts of interest with the Aptus Group.

8. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Aptus Directors nor the experts named in the section headed "Experts and Consents" in this appendix had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Aptus Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Aptus Group since 30 June 2008, being the date to which the latest published audited financial statements of the Aptus Group were made up.

9. APTUS DIRECTORS' INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the Aptus Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Aptus Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Aptus Group.

10. LITIGATION

Save as disclosed in this circular, no member of the Aptus Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Aptus Group as at the Latest Practicable Date.

11. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
W.H. Tang & Partners CPA Limited	Certified public accountants
Asset Appraisal Limited	Independent Qualified Valuer

Each of W.H. Tang & Partners CPA Limited and Asset Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice, opinion and/or report, which has been prepared for inclusion in this circular and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, none of W.H. Tang & Partners CPA Limited and Asset Appraisal Limited had any shareholding in any member of the Aptus Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Aptus Group.

12. GENERAL

- (a) The registered office of Aptus is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of Aptus is at Room 2201, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of Aptus is Tricor Tengis Ltd. at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The compliance officer of Aptus is Mr. Fung King Him Daniel.
- (e) The company secretary of Aptus is Mr. Chan Ka Yin. Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants.
- (f) Aptus established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee of Aptus comprises all of the five independent non-executive directors of Aptus. The primary duties of the audit committee are to review Aptus' annual report and accounts, semi-annual reports and quarterly reports and to provide advice and comments thereon to the Aptus Board. The details of the members are as follows:

Mr. Tian He Nian, aged 69, 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 CVG. He joined the Aptus Group in September 2004.

Mr. Zhang Xiu Fu, aged 75, is also a member of the remuneration committee of Aptus. 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, 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 is currently serving as the President of the China Legal Aid Foundation. He is also an independent non-executive director, audit committee member and remuneration committee member of CVG. He joined the Aptus Group in January 2008.

Mr. Zhao Zhi Ming, aged 67, is also a member of the remuneration committee of Aptus. He is the committee member of the Specialist Committee of the China Development Bank and the Professor of Liaoning Technical University. After graduation from the University in 1965, he had worked for several governmental authorities of the PRC, such as Tianjin Government, National Energy Investment Company of the PRC and China Development Bank. Mr. Zhao had been engaged in the general management, investment, review and approval, and risk management of some sizable national infrastructure projects in the PRC. He has extensive knowledge of and experience in management, investment and capital markets. He is also an independent non-executive director, audit committee member and remuneration committee member of CVG. He joined the Aptus Group in January 2005.

Mr. Zou Qi Jun, aged 73, is also a member of the remuneration committee of Aptus. 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 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, executive editor of China's Journal of Haemodynamics, director of Chinese Microcirculation Association, 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. He joined the Aptus Group in September 2008.

Mr. To Yan Ming Edmond, aged 37, is also a member of the remuneration committee of Aptus. He 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 and Edmond To CPA 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. He is also an independent non-executive director, audit committee member and remuneration committee member of CVG. He joined the Aptus Group in January 2006. Mr. To was appointed as an independent non-executive director and members of the audit and remuneration committee of BEP International Holdings Limited (a company whose listed on the Main Board of the Stock Exchange) on 5 June 2009. He was an independent non-executive director of Century Sunshine Group Limited (a company listed on the Main Board of the Stock Exchange and formerly known as Century Sunshine Ecological Technology Holdings Limited) from 30 August 2007 to 28 April 2008.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday other than public holidays, up to and including the date which is 14 days from the date of this circular at the principal place of business of Aptus at Room 2201, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong:

- (a) the memorandum and articles of association of Aptus;
- (b) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (c) the accountants' report on the Aptus Group, the text of which is set out in Appendix II to this circular;
- (d) the unaudited pro forma financial information on the Remaining Aptus Group, the text of which is set out in Appendix III to this circular;
- (e) the business valuation report on the Changde JV, the text of which is set out in Appendix IV to this circular;
- (f) the business valuation report on the Hunan JV, the text of which is set out in Appendix V to this circular;
- (g) the consents referred to in the section headed "Experts and Consents" in this appendix;

- (h) the annual reports of Aptus containing therein the consolidated audited accounts of the Aptus Group for each of the two financial years immediately preceding the issue of this circular; and
- (i) this circular.

1. RESPONSIBILITY STATEMENT

This circular, for which the CVG Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purposes of giving information with regard to the CVG Group. The CVG Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters or facts the omission of which would make any statement in this circular misleading; and
- (c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. DISCLOSURE OF INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES**(a) Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of CVG or any Associated Corporation**

As at the Latest Practicable Date, the interests and short positions of the CVG Directors and chief executives of CVG in the shares, underlying shares and debentures of CVG or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to CVG 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 CVG and the Stock Exchange, were as follows:

(i) *Long positions in the ordinary shares of CVG or any of its associated corporations*

Name of Directors	CVG/ Name of associated corporation	Interest in controlled corporation	Number of ordinary shares held		Total interest	Approximate percentage of shareholding
			Beneficial owner	Family interest		
Madam Cheung	CVG	2,095,857,322 (Note 1)	2,070,000 (Note 2)	–	2,097,927,322	65.32%
Chan Tung Mei	CVG	–	–	2,097,927,322 (Notes 1 & 2)	2,097,927,322	65.32%
Lau Hin Kun	CVG	–	1,410,000	–	1,410,000	0.04%
Madam Cheung	Best Frontier	–	909	1 (Note 3)	910	–
Chan Tung Mei	Best Frontier	–	1	909 (Note 3)	910	–
Madam Cheung	Aptus	971,746,428 (Note 4)	–	–	971,746,428	55.12%
Chan Tung Mei	Aptus	–	–	971,746,428 (Note 4)	971,746,428	55.12%

Notes:

- These 2,095,857,322 CVG Shares are owned by Best Frontier which is owned as to approximately 99.89% and 0.11% by Madam Cheung and Mr. Chan Tung Mei who are spouse to each other. As Madam Cheung is entitled to exercise or controls the exercise of one-third or more of the voting powers at any general meeting of Best Frontier, she is deemed to be interested in all the shares of CVG held by Best Frontier by virtue of the SFO. As Mr. Chan Tung Mei is the spouse of Madam Cheung, he is deemed to be interested in all such 2,097,927,322 shares by virtue of the SFO. Madam Cheung and Mr. Chan Tung Mei, both being CVG Directors, are also directors of Best Frontier.
- These 2,070,000 shares are owned by Madam Cheung who is the spouse of Mr. Chan Tung Mei. Accordingly, Mr. Chan Tung Mei is deemed to be interested in such shares by virtue of the SFO.
- The 1 share and 909 shares of US\$1 each in Best Frontier are owned respectively by Mr. Chan Tung Mei and Madam Cheung who are spouse to each other. Accordingly, Madam Cheung and Mr. Chan Tung Mei are deemed to be interested in the shares held by each other by virtue of the SFO.
- The entire issued share capital of Best Frontier is owned by Madam Cheung and Mr. Chan Tung Mei as to approximately 99.89% and 0.11% respectively. Madam Cheung and Mr. Chan Tung Mei are spouse to each other. Accordingly, each of Madam Cheung and Mr. Chan Tung Mei is deemed to be interested in the entire issued share capital of Best Frontier by virtue of being the spouse of each other under the SFO. As at the Latest Practicable Date, Best Frontier is interested in

approximately 65.25% of the issued share capital of CVG which in turn holds directly the entire issued share capital of China Success and holds indirectly the entire issued share capital of Precise Result, being the company directly holding 971,746,428 Aptus Shares of which 48,750,000 Aptus Shares have been lent to Evolution pursuant to a stock lending agreement dated 22 November 2006 between CVG and Evolution.

(ii) *Share options of CVG*

CVG has adopted a share option scheme on 18 October 2002 (the “CVG Scheme”), under which the CVG Board may, at its discretion, invite any persons who satisfies the criteria of the CVG Scheme, to take up options to subscribe for CVG Shares.

The CVG Scheme will remain valid for a period of 10 years commencing from 18 October 2002 subject to terms and conditions thereof. Particulars of the options to subscribe for CVG Shares granted to the CVG Directors pursuant to the CVG Scheme as at the Latest Practicable Date are set out below:

Name of Directors	Capacity/ Nature of interest	Date of grant	Exercise period	Maximum number of CVG Shares subject to the outstanding options
Madam Cheung (Note 1)	Beneficial owner/personal	23/11/2006	23/11/2006 – 17/10/2012	1,560,000
		23/11/2006	23/5/2007 – 17/10/2012	1,560,000
		23/11/2006	23/11/2007 – 17/10/2012	3,120,000
Chan Tung Mei (Note 1)	Beneficial owner/personal	23/11/2006	23/11/2006 – 17/10/2012	1,560,000
		23/11/2006	23/5/2007 – 17/10/2012	1,560,000
		23/11/2006	23/11/2007 – 17/10/2012	3,120,000
Chan Ting	Beneficial owner/personal	23/11/2006	23/11/2006 – 17/10/2012	1,560,000
		23/11/2006	23/5/2007 – 17/10/2012	1,560,000
		23/11/2006	23/11/2007 – 17/10/2012	3,120,000

Name of Directors	Capacity/ Nature of interest	Date of grant	Exercise period	Maximum number of CVG Shares subject to the outstanding options
Lau Hin Kun	Beneficial owner/personal	23/11/2006	23/11/2006 – 17/10/2012	350,000
		23/11/2006	23/5/2007 – 17/10/2012	350,000
		23/11/2006	23/11/2007 – 17/10/2012	700,000
Tian He Nian	Beneficial owner/personal	23/11/2006	23/11/2006 – 17/10/2012	260,000
		23/11/2006	23/5/2007 – 17/10/2012	260,000
		23/11/2006	23/11/2007 – 17/10/2012	530,000
Zhao Zhi Ming	Beneficial owner/personal	23/11/2006	23/11/2006 – 17/10/2012	260,000
		23/11/2006	23/5/2007 – 17/10/2012	260,000
		23/11/2006	23/11/2007 – 17/10/2012	530,000
To Yan Ming Edmond	Beneficial owner/personal	23/11/2006	23/11/2006 – 17/10/2012	260,000
		23/11/2006	23/5/2007 – 17/10/2012	260,000
		23/11/2006	23/11/2007 – 17/10/2012	530,000

Notes:

1. As Mr. Chan Tung Mei and Madam Cheung are the spouse to each other, each of Mr. Chan Tung Mei and Madam Cheung is deemed to be interested in the CVG Shares which may be allotted to his/her spouse pursuant to the exercise of the options referred to in the above table under the SFO.
2. As at the Latest Practicable Date, all the options referred to in the table above remain outstanding and have not been exercised.

Save as disclosed herein, as at the Latest Practicable Date, none of the CVG Directors or chief executives of CVG had any interests or short positions in any shares, underlying shares or debentures of CVG or any associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to CVG 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 required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to CVG and the Stock Exchange.

(b) Substantial Shareholders' Interests and Short Positions in the Shares, Underlying Shares and Debentures of CVG

As at the Latest Practicable Date, so far as is known to the CVG Directors or chief executives of CVG, the following persons (other than the CVG Directors or chief executives of CVG) had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of CVG which would fall to be disclosed to CVG under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, carrying rights to vote in all circumstances at general meeting of any member of the CVG Group:

(i) Long positions in the CVG Shares

Name of Shareholder	Capacity	Number of Shares held		Approximate percentage of shareholding
		Long position	Short position	
Best Frontier	Beneficial owner	2,095,857,322 (Note)	–	65.25%

Note: These 2,095,857,322 CVG Shares are held by Best Frontier which is owned as to approximately 99.89% and 0.11% by Madam Cheung and Mr. Chan Tung Mei respectively. Each of Madam Cheung, Mr. Chan Tung Mei and Mr. Chan Ting, being a CVG Director, is also a director of Best Frontier.

(ii) Long positions in underlying shares of CVG

Name of Shareholder	Capacity	Number of Shares held		Approximate percentage of shareholding
		Long position	Short position	
The Goldman Sachs Group, Inc.	Interest in controlled corporation	343,211,215 (Notes 1 and 2)	–	10.69%

Notes:

1. A maximum of 343,348,554 new CVG Shares (without taking into account any CVG Shares which have already been exchanged for) will be allotted and issued to Liberty Harbor upon its exercise of the exchange option under the Grand Promise Notes. As at the Latest Practicable Date, Liberty Harbor has exchanged US\$10,000 together with the interest thereon into 105,931 CVG Shares.
2. Please see the notes in the section headed “Material Contracts” below for the meaning of “Grand Promise Notes”.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the CVG Directors or chief executives of CVG, there was no substantial shareholder of CVG (other than the CVG Directors or chief executives of CVG) who had interests or short positions in the CVG Shares or underlying shares of CVG which would fall to be disclosed to CVG under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, had direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of CVG and/or any other member of the CVG Group, or were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

(c) Interests of other persons in CVG

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the CVG Directors or chief executives of CVG, there was no person or company (other than the CVG Directors, chief executives or substantial shareholder of CVG) who had any interests or short positions in the CVG Shares or underlying shares of CVG which would fall to be disclosed to CVG under the provisions of Divisions 2 and 3 of Part XV of the SFO, and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be 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 CVG Group.

3. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the CVG Group within the two years immediately preceding the date of this circular and are, or may be, material (*Note: please see the notes below for meanings of certain capitalised terms used in this section*):

- (a) the Grand Promise Notes Purchase Agreement;
- (b) the Grand Promise Notes;
- (c) the Birdview Share Charge;
- (d) the Grand Promise SPA;

- (e) 8 sets of instrument of transfer all dated 11 April 2008 entered into between (i) CVG as purchaser/transferee and (ii) the respective Grand Promise Vendor as vendor/transferor whereby such number of shares in Grand Promise set out below was transferred by the respective Grand Promise Vendor to CVG for the respective consideration set out below pursuant to the Grand Promise SPA:

Name of the Grand Promise Vendor	Number of shares in Grand Promise	Consideration (Number of CVG Shares)
Best Frontier	8,000	1,809,739,130
Mega Capital International Limited	720	162,876,520
Kiree Group Limited	340	76,913,912
Lo Wai Kwan Anna	300	67,865,216
Tang Ping Fai Rocky	200	45,243,478
Integrated Asset Management (Asia) Limited	200	45,243,478
Chan Ka Yin	140	31,670,434
Wong Sze Chuen	100	22,621,738

- (f) the Evolution Deed of Adherence;
- (g) the Liberty Harbor Deed of Adherence;
- (h) the Loan Assignment Deed;
- (i) the agreement dated 8 May 2008 between Capital Day Investments Limited (“Capital Day”) as vendor and China Success as purchaser whereby Capital Day agreed to sell and China Success agreed to purchase the entire issued share capital of Best Delight Group Limited (“Best Delight”) represented by 1 share of US\$1.00 for the consideration of HK\$139,000,000;
- (j) an instrument of transfer dated 30 June 2008 between Capital Day as transferor and China Success as transferee whereby Capital Day transferred 1 share in Best Delight to China Success for the consideration of HK\$139,000,000 pursuant to the agreement referred to in (i) above;
- (k) a set of bought and sold notes dated 30 June 2008 between Capital Day as transferor and China Success as transferee whereby Capital Day transferred 1 share in Best Delight to China Success for the consideration of HK\$139,000,000 pursuant to the agreement referred to in (i) above;
- (l) the Deed of Waiver;
- (m) the First Amendment Deed;

- (n) the Second Amendment Deed;
- (o) the Master Agreement;
- (p) the Termination Agreement;
- (q) the Changde Sale Agreement;
- (r) the Hunan Sale Agreement;
- (s) the amendment deed (“Evolution Amendment Deed”) dated 17 June 2009 between CVG, Grand Promise and Evolution pursuant to which, amongst other things, the Evolution Note referred to in note 5 below was amended by, amongst other things, replacing the option exercisable by the holder of the Evolution Note within 15 business days after 31 May 2009 to require Grand Promise to redeem all or part of the Evolution Note by the following upon the terms and conditions of this amendment deed:
 - (i) an obligation on the holder of this note to require Grand Promise to redeem part of the outstanding principal amount of the Evolution Note on 24 June 2009, being approximately US\$3,370,000; and
 - (ii) an option exercisable by the holder of this note during the period from 15 July 2009 to the date falling 15 business days thereafter (inclusive), to require Grand Promise to redeem all or any part of the outstanding Evolution Note;
- (t) the amendment deed (“Liberty Harbor Amendment Deed”) dated 17 June 2009 between CVG, Grand Promise and Liberty Harbor pursuant to which, amongst other things, the Liberty Harbor Note referred to in note 5 below was amended on substantially the same terms and conditions as the Evolution Amendment Deed save and except that the amount of the outstanding principal amount of the Liberty Harbor Note which the holder is obliged to require partial redemption on 24 June 2009 is approximately US\$8,420,000;
- (u) the undertaking dated 17 June 2009 between CVG, Grand Promise, Evolution and Liberty Harbor pursuant to which, amongst other things, in consideration of Evolution and Liberty Harbor agreeing to enter into the Evolution Amendment Deed and the Liberty Harbor Amendment Deed, it was agreed that:
 - (i) certain restrictions will be imposed on the withdrawals or transfers from the bank account maintained or controlled by any member of the CVG Group (other than Aptus or its subsidiaries, China Culture Development Digital Technology Co., Ltd. (北京中文發數字科技有限公司) and Excellent Union Communication Group Co., Ltd. (天合文化集團有限公司) (formerly known as Beijing Tian He Culture Co., Ltd. (北京天合文化有限公司)) during the Undertaking Period upon the terms and conditions of this undertaking; and

- (ii) Grand Promise agreed that it shall on or prior to 15 July 2009, enter into definitive legally binding and enforceable documentation (in form and substance reasonably satisfactory to each of Grand Promise, Evolution and Liberty Harbor) required to implement the restructuring of all amounts outstanding under the Grand Promise Notes; and
- (v) the deed of acknowledgement and undertaking dated 19 June 2009 between Aptus and Evolution referred to in the sub-section headed “Use of Proceeds” in the section headed “Joint Letter from the Aptus Board and the CVG Board” in this circular.

Notes:

1. “Birdview Share Charge” means the deed of share charge dated 30 November 2007 made by Grand Promise in favour of the Grand Promise Investors pursuant to which all of the issued and outstanding shares of Birdview Group Limited and all proceeds deriving therefrom had been charged to the Grand Promise Investors as first priority security, such deed being made in pursuance of the Grand Promise Notes Purchase Agreement.
2. “Evolution Deed of Adherence” means the deed of adherence dated 11 April 2008 executed by CVG for the benefit of Evolution pursuant to which CVG agreed, subject to the terms and conditions thereof, to be bound by the terms and conditions of the Evolution Note jointly and severally (to the extent practicable) with Grand Promise, such deed being made in pursuance of the Grand Promise SPA.
3. “Exchange Shares” means a maximum of 480,687,974 CVG Shares falling to be allotted and issued by CVG to the Grand Promise Investors upon the exercise of the exchange option by Grand Promise Investors after completion of the Grand Promise SPA, credited as fully paid.
4. “Grand Promise Investors” means collectively, Evolution and Liberty Harbor and any permitted transferees.
5. “Grand Promise Notes” means collectively (a) the senior convertible redeemable note dated 30 November 2007 in the principal amount of US\$25,000,000 issued by Grand Promise to Liberty Harbor (“Liberty Harbor Note”) and (b) the senior convertible redeemable note dated 30 November 2007 in the principal amount of US\$10,000,000 issued by Grand Promise to Evolution (“Evolution Note”) pursuant to which, amongst other things, the Grand Promise Notes might, at the options of the Grand Promise Investors, be exchangeable into a maximum number of 480,687,974 Exchange Shares (of which 137,339,420 shares representing approximately 3.7% of the entire issued share capital of CVG as enlarged by such shares may be allotted and issued to Evolution upon exercise of the rights to exchange for new CVG Shares by Evolution pursuant to the senior convertible redeemable note mentioned in (b) above, at a strike price of HK\$0.80 after completion of the Grand Promise SPA).
6. “Grand Promise Notes Purchase Agreement” means the convertible note purchase agreement dated 28 November 2007 entered into among Grand Promise, Best Frontier, Madam Cheung and the Grand Promise Investors pursuant to which, amongst other things, Grand Promise would issue, and the Grand Promise Investors would purchase, the Grand Promise Notes at the consideration of US\$35,000,000.
7. “Grand Promise SPA” means the agreement for sale and purchase dated 17 January 2008 entered into between CVG and the Grand Promise Vendors pursuant to which, amongst other things, the Grand Promise Vendors agreed to sell and CVG agreed to acquire the entire issued share capital of Grand Promise represented by 10,000 shares of US\$1.00 each for the consideration of US\$200,000,000.
8. “Grand Promise Vendors” means collectively Best Frontier, Mega Capital International Limited, Kiree Group Limited, Ms. Lo Wai Kwan Anna, Mr. Tang Ping Fai Rocky, Integrated Asset Management (Asia) Limited, Mr. Chan Ka Yin and Mr. Wong Sze Chuen and “Grand Promise Vendor” means any one of them.

9. “Liberty Harbor Deed of Adherence” means the deed of adherence dated 11 April 2008 executed by CVG for the benefit of Liberty Harbor pursuant to which CVG agreed, subject to the terms and conditions thereof, to be bound by the terms and conditions of the Liberty Harbor Note jointly and severally (to the extent practicable) with Grand Promise, such deed being made in pursuance of the Grand Promise SPA.
10. “Loan Assignment Deed” means the deed of assignment dated 11 April 2008 entered into between CVG and Best Frontier pursuant to which a shareholder’s loan in the amount of HK\$13,816,003 owing to Best Frontier by Grand Promise was assigned by Best Frontier to CVG for the consideration of 20,023,192 CVG Shares, such deed being made in pursuance of the Grand Promise SPA.
11. “Undertaking Period” means the period commencing on the date on which the amendments to the Grand Promise Notes contemplated under the amendment deeds referred to in paragraphs (s) and (t) above and ending on the first to occur of (a) 15 July 2009 and (b) the date on which both (i) CVG, Grand Promise and Liberty Harbor have executed legally binding and enforceable documentation to restructure all amounts outstanding under the Liberty Harbor Note in accordance with the material contract referred to in paragraph (u) above and (ii) CVG, Grand Promise and Evolution have executed legally binding and enforceable documentation to restructure all amounts outstanding under the Evolution Note in accordance with the material contract referred to in paragraph (u) above.

4. SERVICE CONTRACTS OF CVG DIRECTORS

As at the Latest Practicable Date, none of the CVG Directors had any existing or proposed service contract with any member of the CVG Group (excluding contracts expiring or determinable by the relevant member of the CVG Group within one year without payment of compensation other than statutory compensation).

5. WORKING CAPITAL

Under the Grand Promise Notes referred to in the section headed “Material Contracts” above in this appendix as amended by the two amendment deeds referred to in paragraphs (s) and (t) in that section, each of Liberty Harbor and Evolution has the option during the period from 15 July 2009 to the date falling 15 business days thereafter (inclusive), to require Grand Promise to redeem all or any part of the outstanding Grand Promise Notes if it has not exercised its right to convert or to exchange the note into CVG Shares on 15 July 2009. If the holders of the Grand Promise Notes were to request for redemption of the outstanding Grand Promise Notes in full, the CVG Group would not have sufficient working capital available from its existing internal resources and available banking facilities. Under the terms of the undertaking referred to in paragraph (u) in the section headed “Material Contracts” above in this appendix, Grand Promise has agreed that it shall on or prior to 15 July 2009, enter into definitive legally binding and enforceable documentation required to implement the restructuring of all amounts outstanding under the Grand Promise Notes. As at the Latest Practicable Date, no agreement had been reached. On the assumption that agreements on satisfactory terms can be reached with Liberty Harbor and Evolution in relation to the redemption of the Grand Promise Notes, the CVG Directors are of the opinion that, after taking into account the CVG Group’s present internal resources and available banking facilities or similar indebtedness, the CVG Group will have sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

6. INDEBTEDNESS

As at the close of business on 30 April 2009, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the CVG Group had an aggregate outstanding borrowings of approximately HK\$758,889,000 comprising:

- (a) secured borrowings of approximately HK\$15,121,000;
- (b) unsecured borrowings of approximately HK\$37,546,000;
- (c) secured bank borrowings of approximately HK\$93,709,000; and
- (d) the carrying amount of the convertible bonds on the balance sheet as at 30 April 2009 was approximately HK\$612,513,000 (convertible bonds with principal amount of approximately HK\$506,922,000).

The secured borrowings of approximately HK\$15,121,000 is secured by corporate guarantee given by a shareholder of a jointly controlled entity. The secured bank borrowings are secured by gas network of a jointly controlled entity. Convertible bonds are secured by 100% of the issued share capital of the subsidiaries of CVG, namely Grand Promise and Good United.

Save as aforesaid and apart from intra-group liabilities, the CVG Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, loans, bank overdraft or other similar indebtedness, financial lease or hire purchase commitments, liabilities under acceptances or acceptance credits or guarantees or other material contingent liabilities as at 30 April 2009.

7. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the CVG Directors were aware, none of the CVG Directors, employees or controlling shareholder of CVG nor their respective associates had any business or interest that competed or might compete with the business of the CVG Group or any other conflicts of interest with the CVG Group.

8. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the CVG Directors nor the expert named in the section headed “Expert and Consent” in this appendix had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the CVG Group, or was proposed to be acquired, or disposed of by, or leased to any member of the CVG Group since 30 June 2008, being the date to which the latest published audited financial statements of the CVG Group were made up.

9. CVG DIRECTORS’ INTEREST IN CONTRACTS

As at the Latest Practicable Date, none of the CVG Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the CVG Group subsisting at the Latest Practicable Date which was significant in relation to the business of the CVG Group.

10. LITIGATION

As at the Latest Practicable Date, Muller Group Limited (“Muller”), a wholly-owned subsidiary of CVG, has lodged legal proceedings in Singapore against Mr. Dixon Ng, a Singapore lawyer for the recovery of US\$600,000 stakeholder money placed with Mr. Dixon Ng’s law firm.

Save as disclosed above, no member of the CVG Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the CVG Group as at the Latest Practicable Date.

11. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which are contained in this circular:

Name	Qualification
Asset Appraisal Limited	Independent Qualified Valuer

Asset Appraisal Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter, advice, opinion and/or report, which has been prepared for inclusion in this circular and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Asset Appraisal Limited did not have any shareholding in any member of the CVG Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the CVG Group.

12. GENERAL

- (a) The registered office of CVG is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The head office and principal place of business of CVG is at Room 2201, 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.
- (c) The branch share registrar and transfer office of CVG is Tricor Standard Limited at 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (d) The compliance officer of CVG is Mr. Chan Ting.
- (e) The company secretary of CVG is Mr. Kwan Yiu Ming Patrick. Mr. Kwan is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and an associate member of the Institute of Chartered Accountants in England and Wales.

- (f) CVG established an audit committee on 18 October 2002 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The audit committee of CVG comprises all of the four independent non-executive directors of CVG. The primary duties of the audit committee are to review CVG's annual report and accounts, half-year reports and quarterly reports and to provide advice and comments thereon to the CVG Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the CVG Group. The details of the members are as follows:

Mr. Tian He Nian, aged 69, 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 Aptus. He joined the CVG Group in November 2004.

Mr. Zhang Xiu Fu, aged 75, is also a member of the remuneration committee of CVG. 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 serves as the president of the China Legal Aid Foundation. He is also an independent non-executive director, audit committee member and remuneration committee member of Aptus. He joined the CVG Group in January 2008.

Mr. Zhao Zhi Ming, aged 67, is also a member of the remuneration committee of CVG. He is the committee member of the Specialist Committee of the China Development Bank and the Professor of Liaoning Technical University. After graduation from the University in 1965, he had worked for several governmental authorities of the PRC, such as Tianjin Government, National Energy Investment Company of the PRC and China Development Bank. Mr. Zhao had been engaged in the general management, investment, review and approval, and risk management of some sizable national infrastructure projects in the PRC. He has extensive knowledge of and experience in management, investment and capital markets. He is also an independent non-executive director, audit committee member and remuneration committee member of Aptus. He joined the CVG Group in January 2005.

Mr. To Yan Ming Edmond, aged 37, is also a member of the remuneration committee of CVG. He 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 and Edmond To CPA 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. He is also an independent non-executive director, audit committee member and remuneration committee member of Aptus. He joined the CVG Group in January 2006. He was appointed as an independent non-executive director and members of the audit and remuneration committee of BEP International Holdings Limited (a company whose listed on the Main Board of the Stock Exchange) on 5 June 2009. He was an independent non-executive director of Century Sunshine Group Limited (a company listed on the Main Board of the Stock Exchange and formerly known as Century Sunshine Ecological Technology Holdings Limited) from 30 August 2007 to 28 April 2008.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday other than public holidays, up to and including the date which is 14 days from the date of this circular at the principal place of business of CVG at Room 2201, 22nd Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong:

- (a) the memorandum and articles of association of CVG;
- (b) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (c) the business valuation report on the Changde JV, the text of which is set out in Appendix IV to this circular;
- (d) the business valuation report on the Hunan JV, the text of which is set out in Appendix V to this circular;
- (e) the consent referred to in the section headed "Expert and Consent" in this appendix;
- (f) the annual reports of CVG containing therein the consolidated audited accounts of the CVG Group for each of the two financial years immediately preceding the issue of this circular; and
- (g) the following circulars issued by CVG pursuant to the requirements set out in Chapter 19 of the GEM Listing Rules since 30 June 2008, being the date to which the latest published audited financial statements of the CVG Group were made up:
 - (i) circular dated 21 January 2009 in relation to a discloseable transaction regarding deemed disposal of Aptus by potential dilution arising from the issue of Aptus Shares upon conversion of the Bonds; and
 - (ii) this circular.

**APTUS HOLDINGS LIMITED****問博控股有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8212)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting of the shareholders of Aptus Holdings Limited 問博控股有限公司 (the “**Company**”) will be held at Room 2201, 22nd Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong on 10 July 2009 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION**“THAT:**

- (a) each of the agreement described in (i), (ii), (iii) and (iv) below and the transactions contemplated thereunder be and are hereby generally and unconditionally approved in all respects:
 - (i) the master agreement dated 24 April 2009 between (i) the Company, (ii) CNPC Huayou Cu Energy Investment Co., Ltd. (華油中滙能源發展有限責任公司) (“**CNPC Energy**”), (iii) China Huayou Group Corporation (中國華油集團公司) (“**Huayou**”) and (iv) CNPC Kunlun Natural Gas Company Limited (中石油昆崙燃氣有限公司) (“**Kunlun**”) whereby, amongst other things, the parties agreed to enter into the agreements referred to in (ii), (iii) and (iv) below upon the terms and conditions thereof (a copy of this agreement has been signed by the chairman of the meeting and for the purpose of identification marked “A”);
 - (ii) the agreement dated 24 April 2009 between CNPC Energy and Huayou whereby, amongst other things, the profit sharing arrangement between CNPC Energy and Huayou in relation to the Xin Jiang Fengcheng Oilfield will be terminated upon the terms and condition thereof (a copy of this agreement has been signed by the chairman of the meeting and for the purpose of identification marked “B”);

- (iii) the equity interest transfer agreement dated 24 April 2009 between the Company and Kunlun whereby, amongst other things, the Company agreed to sell and Kunlun agreed to purchase the 48.33% equity interest in Changde Huayou Gas Co. Ltd (常德華油燃氣有限公司) owned by the Company upon the terms and condition thereof (a copy of this agreement has been signed by the chairman of the meeting and for the purpose of identification marked “C”); and
- (iv) the equity interest transfer agreement dated 24 April 2009 between the Company and Kunlun whereby, amongst other things, the Company agreed to sell and Kunlun agreed to purchase the 33% equity interest in Hunan Huayou Natural Gas Transportation & Distribution Co., Ltd. (湖南華油天然氣輸配有限責任公司) owned by the Company upon the terms and condition thereof (a copy of this agreement has been signed by the chairman of the meeting and for the purpose of identification marked “D”); and
- (b) the directors of the Company be and are hereby authorised to do such further acts and things and execute such further documents which the directors may deem necessary, expedient or desirable to implement and/or to give effect to the agreements referred to in paragraph (a) above.”

For and on behalf of the Board of
Aptus Holdings Limited
問博控股有限公司
Fung King Him Daniel
Director

Hong Kong, 24 June 2009

Registered Office:

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

*Head office and principal place of
business in Hong Kong:*

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

Notes:

1. A form of proxy for use at the extraordinary general meeting of the Company (the “EGM”) has been despatched to the shareholders of the Company together with a copy of this notice.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney authorised in writing, or if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
3. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the EGM. On a poll, votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at the EGM.

4. In order to be valid, the form of proxy, together with the power of attorney (if any) under which it is signed, or a notarially certified copy of such power or authority, must be delivered at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Ltd. at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting.
5. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding. Several executors or administrators of a deceased member in whose name any share stands shall for the purposes of the articles of association of the Company be deemed joint holders thereof.
7. Voting at the EGM will be by way of poll.