

ANNUAL REPORT 2005-2007



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(In Liquidation)

(Stock Code: 8109)

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

The GEM has been positioned as a market designed to accommodate companies to which a high 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 the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the 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 the GEM.

*Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.*

*This report, for which the liquidators and the Directors of Creative Energy Solutions Holdings Limited (In Liquidation) (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. On the basis of the available information, the joint and several liquidators of the Company (the “Liquidators”), having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and is not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

# Contents

|   | <i>Pages</i> |
|---|--------------|
| Corporate Information                       | 3            |
| Report of the Liquidators and the Directors | 5            |
| Biographical Details of Directors           | 18           |
| Independent Auditor's Report                | 20           |
| Consolidated Income Statements              | 26           |
| Consolidated Balance Sheets                 | 27           |
| Consolidated Statement of Changes in Equity | 28           |
| Notes to the Financial Statements           | 29           |
| Five Year Summary                           | 68           |

# Corporate Information

## JOINT AND SEVERAL LIQUIDATORS

Roderick John SUTTON (*Appointed by the High Court of the HKSAR on 3rd May, 2007*)  
Desmond Chung Seng CHIONG (*Appointed by the High Court of the HKSAR on 3rd May, 2007*)

## EXECUTIVE DIRECTORS

BATCHELOR John Howard  
(*Appointed on 30th January, 2010*)  
CHENG Chi Ho (*Appointed on 30th January, 2010*)  
CHOW Wai Shing Daniel (*Appointed on 30th January, 2010*)  
SHUM Fong Chung (*Chairman*)  
LIN Rong Ying  
YEUNG Ka Wing (*Appointed on 30th January, 2010*)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

HON Wa Fai, *FCCA (Practising), FCCA*  
(*Resigned 27th March, 2006*)  
SHI Jian Hui  
TO Sin Ning

## COMPANY SECRETARY

KAM Ying Fai, *CPA, FCCA (resigned on 31st March, 2005)*  
CHEN Chun Long (*Appointed on 31st March, 2005 and resigned on 31st August, 2005*)  
LAM Yau Yiu (*Appointed on 1st December, 2005 and resigned on 9th June, 2006*)  
CHOW Wai Shing Daniel (*Appointed on 23rd April, 2010*)

## COMPLIANCE OFFICER

SHUM Fong Chung

## QUALIFIED ACCOUNTANT

KAM Ying Fai, *CPA, FCCA (Resigned on 31st March, 2005)*  
CHEN Chun Long (*Appointed on 31st March, 2005 and resigned on 31st August, 2005*)  
LAM Yau Yiu (*Appointed on 1st December, 2005 and resigned on 9th June, 2006*)

## AUDIT COMMITTEE

HON Wa Fai (*Resigned 27th March, 2006*)  
SHI Jian Hui  
TO Sin Ning

## AUTHORISED REPRESENTATIVES

SHUM Fong Chung  
KAM Ying Fai (*Resigned on 31st March, 2005*)  
CHEN Chun Long (*Appointed on 31st March, 2005 and resigned on 31st August, 2005*)

## AUDITORS

CCIF CPA Limited (*Resigned on 23rd November, 2007*)  
37th Floor, Hennessy Centre  
500 Hennessy Road, Causeway Bay Hong Kong

Ting Ho Kwan Chan Certified Public Accountants  
(*Practising*)  
(*Appointed on 30th April, 2008*)  
9/F Tung Ning Building  
249-253 Des Voeux Road Central  
Hong Kong

## LEGAL ADVISERS

*Bermuda Law:*  
Conyers Dill & Pearman  
Room 2901, One Exchange Square,  
8 Connaught Place, Central  
Hong Kong

# Corporate Information

## **PRINCIPAL BANKERS (PRIOR TO THE APPOINTMENT OF LIQUIDATORS)**

The Hongkong and Shanghai Banking Corporation Limited  
Sun Hung Kai Centre Branch  
Rooms 101 to 103  
Sun Hung Kai Centre  
30 Harbour Road, Wanchai  
Hong Kong

DBS Bank (Hong Kong) Limited  
139 Queen's Road Central Hong Kong

The Development Bank of Singapore Limited Beijing Branch  
Suites 1009-1018, China World Tower  
1 Jian Guo Men Wai Avenue  
Beijing  
The PRC

Fuzhou Commercial Bank  
Fuxin Branch  
23 Fuxin Road Gulou District Fuzhou, Fujian The PRC

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE (PRIOR TO THE APPOINTMENT OF LIQUIDATORS)**

Butterfield Fund Services (Bermuda) Limited  
65 Front Street Hamilton Bermuda

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited  
46th Floor Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## **REGISTERED OFFICE**

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

14th Floor, The Hong Kong Club Building  
3A Chater Road, Central, Hong Kong

## **PRINCIPAL PLACES OF BUSINESS IN THE PRC**

Beijing Creative Easy Union Science & Technology of  
Saving Development Co., Ltd.  
150# West Street  
Xicheng District  
Beijing  
China

## **GEM STOCK CODE**

8109

## **COMPANY WEBSITE**

[www.hklistedco.com/8109.asp](http://www.hklistedco.com/8109.asp)

# Report of the Liquidators and the Directors

Trading in the shares of Creative Energy Solutions Holdings Limited (In Liquidation) (the “Company”) has been suspended from trading on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30th September, 2005.

The Company was ordered to be wound up pursuant to an Order by the High Court of Hong Kong dated 14th February, 2007 and the Official Receiver was appointed Provisional Liquidator of the Company. Subsequently, the High Court of Hong Kong (the “High Court”) appointed Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, to act as the joint and several liquidators to the Company on 3rd May, 2007.

In order to facilitate the restructuring of the Company, the auditors of the Company, Messrs Ting Ho Kwan & Chan prepared an audit report of the Company for the three years ended 30th June, 2005, 2006 and 2007 to the Liquidators on 2nd June, 2008. At that time, none of the directors of the Company were contactable, hence, the accounts were unable to be ratified and published.

To the best knowledge of the Liquidators, as at the date of their appointment, the board of the Company comprises Mr. Shum Fong Chung and Ms. Lin Rong Ying as executive directors and Mr. Shi Jian Hui and Ms. To Sin Ning as the independent non-executive directors (collectively the “Existing Directors”). Despite reasonable steps taken by the Liquidators to contact the directors, none of them were contactable. Accordingly, Mr. John Howard Batchelor, Mr. Cheng Chi Ho, Mr. Chow Wai Shing Daniel and Mr. Yeung Ka Wing were appointed as executive directors of the Company (the “New Directors”) in a special general meeting convened on 30th January, 2010. The resolutions for the appointment of the New Directors were duly passed by the shareholders of the Company on the same date.

The Liquidators and the Directors hereby present their report together with the audited financial statements of the Company and its subsidiaries (collectively the “Group”) for the three years ended 30th June, 2005, 2006 and 2007. On the basis of the books and records available to them and to the best of their knowledge, the Liquidators and the Directors are responsible for the accuracy and completeness of the contents of this report and the audited financial statements for the three years ended 30th June, 2005, 2006 and 2007 in relation to (i) the affairs of the Group after their respective appointment and (ii) the preparation of the contents of this report and the audited financial statements for the three years ended 30th June, 2005, 2006 and 2007. Accordingly, the Liquidators and the Directors are of the view that the information contained in this report is accurate and complete.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company.

Details of the principal activities of the principal subsidiaries of the Company as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 are set out in note 17 to the financial statements.

# Report of the Liquidators and the Directors

## **FINANCIAL RESULTS**

For the three years ended 30th June, 2007, 2006 and 2005, the Group's turnover was approximately RMB2.64 million, RMB4.45 million and RMB29.90 million (2004: RMB59.51 million), representing a decrease of approximately 95.56% from the year ended 30th June, 2004 to 2007. Respective affairs of the Group for the three years ended 30th June, 2007, 2006 and 2005 is set out in the financial statements on page 26 to 28.

The consolidated loss attributable to shareholders of the Company amounted to approximately RMB189.54 million, RMB3.97 million and RMB49.64 million for the three years ended 30th June, 2007, 2006 and 2005 respectively (2004: profit of approximately RMB3.84 million). Basic loss per share was approximately RMB43.08 cents, RMB0.9 cents and RMB11.28 cents for the three years ended 30th June, 2007, 2006 and 2005 respectively (2004: profit of approximately RMB0.89 cents).

## **DIVIDENDS**

No dividend has been paid or declared by the Company during the years ended 30th June, 2007, 2006 and 2005 (2004: Nil).

## **LIQUIDITY, FINANCIAL RESOURCES AND FUNDING**

Bank balances and cash as at 30th June, 2007, 2006 and 2005 was approximately RMB0.18 million, RMB4.17 million and RMB4.19 million respectively (2004: RMB86.28 million). The Group's gearing ratio for the year ended 30th June, 2007 was not applicable as the Group had shareholders' deficit during the year. The Group's gearing ratio for the years ended 30th June, 2006 and 2005 was 23.52% and 23.98% respectively (2004: 25.68%). The Group's gearing ratio is calculated on the basis of dividing the Group's total bank borrowings by the Group's shareholders' funds.

## **CAPITAL STRUCTURE**

Details of the capital structure of the Company are set out in note 29 to the consolidated financial statements.

## **FOREIGN CURRENCY EXPOSURE**

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollar and Renminbi.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.



# Report of the Liquidators and the Directors

## **RESTRUCTURING OF THE GROUP AND KEY EVENTS AFTER THE APPOINTMENT OF THE LIQUIDATORS**

Prior to the appointment of the Liquidators, on 24th November, 2006, the Stock Exchange informed the Company that if the Company has not submitted a viable resumption proposal on or before 23rd May, 2007, the Stock Exchange intends to cancel the listing of the Company on the expiry of the said date.

On 3rd May, 2007, the Liquidators were appointed and they worked together with the Investor and submitted a resumption proposal immediately after their appointment.

On 9th May, 2007, the Liquidators, on behalf of the Company, submitted the first resumption proposal to the Stock Exchange for the purpose of fulfilling Rule 9.15 of GEM Listing Rules.

On 6th February, 2009, the GEM Listing Committee confirmed in writing that the Company was allowed to proceed with the revised resumption proposal dated 2nd February, 2009 involving, among other things, the capital reorganisation of the share capital of the Company, the subscription of new Shares (the "Subscription") by Million Sino Investments Limited (the "Investor"), the schemes of arrangement under the Hong Kong Law and Bermuda Law between the Company and its creditors (the "Schemes") and the restructuring of the corporate structure of the Group (collectively, the "Restructuring Proposal"), subject to the satisfaction of the following conditions on or before 5th August, 2009 (which was subsequently extended to 30th June, 2010):

- (i) completion of the Subscription and all the transactions contemplated under the Restructuring Proposal;
- (ii) completion of the placing down of the Shares by the Investor to maintain public float;
- (iii) the Schemes becoming effective;
- (iv) uplift of the winding up order and discharge of the Liquidators;
- (v) publication of all outstanding financial results and reports;
- (vi) reinstatement of the Company's status in the Registrar of Companies in Bermuda;
- (vii) completion of a follow-up review on the internal control system by an independent professional party to demonstrate that the Group has in place an adequate and effective internal control system, in particular, addressing the weaknesses associated with the issues raised by auditors in their audit reports;
- (viii) fulfilling the personnel requirements under the GEM Listing Rules relating to the appointment of independent non-executive directors and company secretary;



# Report of the Liquidators and the Directors

- (ix) disclosure of details of the resumption proposal and the actions taken by the Company to remedy those matters that gave rise to the Stock Exchange's proposal to cancel the listing of the Company by way of announcement(s); and
- (x) inclusion of a pro forma balance sheet of the Group upon completion of the Restructuring Proposal prepared in accordance with Rule 7.31 of the GEM Listing Rules in the circular relating to the Restructuring Proposal and that the pro forma net assets attributable to shareholders of the Company (the "Shareholders") should be consistent with that presented in the resumption proposal.

Up to the date of this report, the Company has fulfilled condition (vi).

On 2nd March, 2009, the Company set up a wholly-owned subsidiary, Action Win Investments Limited ("Action Win").

On 13th May, 2009, Action Win entered into a loan agreement with the Investor and the Company entered into a share mortgage deed with the Investor, pursuant to which the Investor provided a credit facility in the sum of HK\$4.5 million to Action Win to provide working capital for continuation of the principal operations of the Group prior to completion of the Subscription. The loan, if drawdown, is interest free and repayable at the later of (i) within 3 Business Days after completion of the subscription agreement contemplated under the Restructuring Proposal; and (ii) 12 months after the date of the said loan agreement. The shares of Action Win have been pledged in favour of the Investor for any loans drawdown by Action Win.

On 17th August, 2009, the Company, the Liquidators and the Investor entered into the restructuring agreement and the subscription agreement for the implementation of the Restructuring Proposal which comprises of capital reorganisation, subscription of new shares of the Company, debt restructuring and the Group reorganisation.

On 24th September, 2009, a special general meeting of the Company was convened in order to (i) appoint executive directors of the Company; and (ii) appoint auditors of the Company (the "SGM"). The purpose of the SGM is solely for facilitating the implementation of the Restructuring Proposal. However, the validity and ownership of certain voting shares of the Company is in question and the Liquidators are attending to this matter. Accordingly, the voting results could not be finalised and the progress of the Group's restructuring is therefore delayed.

On 31st December, 2009, the Company, the Liquidators and the Investor entered into a supplemental restructuring agreement and a supplemental subscription agreement which extended the long stop dates of the same to 30th June, 2010.

# Report of the Liquidators and the Directors

## **PROSPECTS**

It is anticipated that the financial position of the Group will be substantially improved upon the completion of the proposed restructuring of the Group as contemplated under such agreement. The Investor and the Liquidators anticipate all existing liabilities owed to the creditors of the Company will be compromised and discharged through proposed Hong Kong and Bermuda schemes of arrangement.

It is the Investor's intention to maintain the Group's existing energy and engineering consulting business, currently conducted through Beijing Creative Easy Union Science & Technology of Saving Development Co. Limited, an indirect wholly-owned subsidiary of the Company and which is currently the only operating subsidiary of the Company.

With the strong and continuous support provided by the Investor to the Group in terms of both business and financial aspects, the Group will be able to sustain its retail business at a sufficient level in upcoming financial years and expand its business to a substantial level within a reasonable period of time after the resumption of trading in the shares of the Company on the Stock Exchange.

## **PLEDGE OF ASSETS**

Details of pledge of assets are set out in note 24 the financial statements.

## **PRE-EMPTIVE RIGHTS**

There is no provision for pre-emptive rights under the Company's Bye-Laws and there is no restriction against such rights under the laws of Bermuda.

## **2.5% COUPON BONDS WITH WARRANTS ATTACHED**

Pursuant to two subscription agreements dated 26th August, 2002 and 27th August, 2002 respectively in respect of the placement of 2.5% coupon bonds due on 1st November, 2007 with warrants, having an aggregate principal amount of US\$4,500,000 (equivalent to approximately RMB37,206,000). Bondholders can exercise the subscription rights attaching to the warrants, expiring on 1st November, 2007, to subscribe for subscription shares of the Company at an adjusted subscription price (being the average closing price of the Company's shares for the period of one month immediately preceding 1st July, 2004) of HK\$0.19 per share, subject to adjustment. The bonds and the warrants are not listed on the Stock Exchange or any other stock market.

To the best knowledge of the Liquidators and the Directors, during the three years ended 30th June, 2005, 2006 and 2007 no warrant was exercised by the warrant-holders.

## **SIGNIFICANT INVESTMENT**

Details of significant investment are set out in note 19 the financial statements.

# Report of the Liquidators and the Directors

## **CONTINGENT LIABILITIES**

The Liquidators and the Directors make no representation as to whether the Company has any contingent liability.

## **PUBLIC FLOAT**

Based on information that is publicly available to the Company and within the knowledge of the Liquidators and the Directors as at the latest practicable date prior to the issue of this report, the Company has complied with the sufficiency of public float requirement under the GEM Listing Rules.

## **THE AUDIT COMMITTEE**

Following Mr. Hon Wa Fai's resignation as independent non-executive director and member of the audit committee on 27th March, 2006, the Company has only two independent non-executive directors and two members of the Audit Committee, none of them has appropriate professional qualifications or accounting or related financial management expertise as required in Rule 5.05(2) of the GEM Listing Rules. Hence, the Company is unable to comply with Rules 5.05(1), 5.05(2) and 5.28 of the GEM Listing Rules.

Both the Liquidators and the Directors have taken reasonable steps to contact the remaining two independent non-executive directors, namely Mr. Shi Jian Hui and Ms. To Sin Ning. However, both of them were un-contactable. As a result, the audited accounts of the Group for the years ended 30th June, 2005, 2006 and 2007 have not been reviewed by the audit committee.

## **Emolument Policy**

To the best knowledge of the Liquidators and the Directors, the emolument policy for the employees of the Group is based on their respective merit, qualifications and competence and prevailing market conditions.

## **DELAY IN DESPATCH OF ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE, 2005, 30TH JUNE, 2006 AND 30TH JUNE, 2007**

Due to suspension of trading in its shares on the Stock Exchange and most of the responsible officers had left the Group, the Company has not been able to prepare and dispatch the annual report for the years ended 30th June, 2005, 2006 and 2007 to its members within the due date as required by the GEM Listing Rules.

The delay in the dispatch of the annual report for the years ended 30th June, 2005, 2006 and 2007 constitutes non-compliance of the Rule 18.03(2) of the GEM Listing Rules by the Company.

# Report of the Liquidators and the Directors

## **NON-COMPLIANCE OF CHAPTER 18 “FINANCIAL INFORMATION” OF THE GEM LISTING RULES**

Due to the failure to access the books and records of certain subsidiaries and the resignation of the majority of management personnel responsible for maintaining the books and records, the Liquidators do not have sufficient data to compile the annual report so as to comply with the Chapter 18 “Financial Information” to the GEM Listing Rules. The following information, among others, has been omitted from this annual report:

- Neither the Company nor Liquidators received any annual confirmation for independence pursuant to Rule 5.09 of the GEM Listing Rules from each of the independent non-executive director of the Company;
- Details of Directors’ and employees’ emoluments;
- Details of the five highest paid individuals;
- A segmental information of the Group’s performance and changes in turnover and margins;
- Details of management contract;
- Details of directors’ contracts;
- Details of related party transactions;
- Connected transactions and continuing connected transactions with the connected person as defined in Chapter 20 of the GEM Listing Rules;
- Information on the Group’s major supplier and customer; and
- A separate Corporate Governance Report containing the information as required under Appendix 16 to the GEM Listing Rules.

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 68. This summary does not form part of the audited financial statements.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

## **INTANGIBLE ASSETS**

Details of the intangible assets of the Group during the year are set out in note 15 to the financial statements.

# Report of the Liquidators and the Directors

## **BANK LOANS AND OVERDRAFTS**

Details of movement in the bank loans and overdrafts of the Group during the year are set out in note 26 to the financial statements.

## **SHARE OPTION SCHEME**

The Company's share option scheme (the "Share Option Scheme") was adopted pursuant to a resolution passed on 3rd January, 2002 for the primary purpose of providing incentives to eligible persons (as defined in the Share Option Scheme) and will expire on 2nd January, 2012. Under the Share Option Scheme, the Company may grant options to any person who is a director (including the independent non-executive directors of the Company) or employee, whether full-time or part-time, of the Company or any of its subsidiaries to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the date of approval of the Share Option Scheme. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to each eligible person in any 12-month period shall not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to members' approval.

Options granted must be taken up within 21 days from the offer date. Upon acceptance of the offer, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. Options shall be exercised after one year from the offer date of the share option to a period to be notified by the Board of Directors to each grantee at the time of making such offer, and shall expire on the earlier of the last day of (i) a 10 year period from the date of such grant and (ii) 10 years from 3rd January, 2002. The subscription price is determined by the Board of Directors in its absolute discretion which, in any event, shall not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of that option, which must be a business day; (b) the average of the closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of that option; and (c) the nominal value for the time being of each share.

Pursuant to the terms of the Share Option Scheme, the options shall lapse automatically on the date of the commencement of the winding up of the Company, which was on 14th February, 2007. Accordingly, no option of the Company is outstanding as at the date of this report.

It is the intention of the Company and the Liquidators to terminate the Share Option Scheme in accordance with its terms before completion of the Group's restructuring for easy administrative purpose.

## **SHARE CAPITAL**

Movements in share capital of the Company is set out in note 29 to the financial statements.

## **RESERVES**

Movements in reserves of the Group during the year are set out in the statement of changes in equity on page 28.

# Report of the Liquidators and the Directors

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

To the best knowledge of the Liquidators and the Directors, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three years ended 30th June, 2005, 2006 and 2007.

## **RETIREMENT BENEFITS SCHEMES**

Details of the Group's retirement benefits schemes for the years ended 30th June, 2005, 2006 and 2007 are set out in note 32 to the financial statements.

## **RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS**

The Liquidators and the Directors make no representation as to whether the Group entered into any related party transactions (defined under HKAS 24), connected transactions and continuing connected transactions (defined under the GEM Listing Rules) during the years ended 30th June, 2005, 2006 and 2007.

## **DIRECTORS**

To the best knowledge of the Liquidators and the Directors, the directors of the Company during the year and up to the date of this report were:

### *Executive Directors*

BATCHELOR John Howard (*Appointed on 30th January, 2010*)

CHENG Chi Ho (*Appointed on 30th January, 2010*)

CHOW Wai Shing Daniel (*Appointed on 30th January, 2010*)

SHUM Fong Chung

LIN Rong Ying

YEUNG Ka Wing (*Appointed on 30th January, 2010*)

### *Independent Non-Executive Directors*

HON Wa Fai, *FCCA (Practising), FCCA (resigned on 27th March, 2006)*

SHI Jian Hui

TO Sin Ning

# Report of the Liquidators and the Directors

## DIRECTORS' SERVICE AGREEMENTS

To the best knowledge of the Liquidators and the Directors, each of the executive Directors (Save for the New Directors) has entered into a service agreement with the Company for an initial term of three years commencing on 31st January, 2002 and shall continue thereafter unless and until terminated by either party giving the other not less than three months prior written notice.

Each of the Independent Non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing on 3rd January, 2002 and 19th August, 2002 respectively and shall continue thereafter unless and until terminated by either party giving the other not less than three months prior written notice.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND THE CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

To the best of knowledge of the Liquidators and the Directors, as at 30th June, 2005, 2006 and 2007, the interests of the directors and their associates in the shares, underlying shares and debentures of the Company, its subsidiaries and associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"), were as follows:

| Beneficial interests               | Ordinary shares of HK\$0.1 each |                     |                             | Percentage of total Issued shares |
|------------------------------------|---------------------------------|---------------------|-----------------------------|-----------------------------------|
|                                    | Personal interests              | Corporate interests | Total number of shares held |                                   |
| Mr Shum Fong Chung ( <i>Note</i> ) | 247,128,000                     | –                   | 247,128,000                 | 56.17%                            |

*Note:* To the best knowledge of the Liquidators and the Directors, the 247,128,000 shares as disclosed to be held by Mr Shum Fong Chung may be the same lot of shares over which Ms Au Suet Ming Clarea through Billion Wealth Holdings Limited, a corporation controlled by her, has a security interest as more particularly disclosed in the note to the table under the section "Substantial Shareholders' Interests In Securities" below.



# Report of the Liquidators and the Directors

## Underlying Shares in the Company

| Name                     | Date of grant | Exercise price<br>(HK\$) | Exercise period | Number of shares in respect of options outstanding as at 30th June, 2005 |
|--------------------------|---------------|--------------------------|-----------------|--|
| <b>Director</b>          |               |                          |                 |  |
| Ms Lin Rong Ying         | 04/04/2003    | 0.30                     | <i>Note</i>     | 1,200,000  |
| <b>Senior Management</b> |               |                          |                 |  |
| Mr Kam Ying Fai          | 04/04/2003    | 0.30                     | <i>Note</i>     | 3,040,000  |

*Note:* Pursuant to the terms of the Share Option Scheme, the options shall lapse automatically on the date of the commencement of the winding up of the Company, which was on 14th February, 2007. Accordingly, no option of the Company is outstanding as at the date of this report.

It is the intention of the Company and the Liquidators to terminate the Share Option Scheme in accordance with its terms before Completion for easy administrative purpose.

To the best knowledge of the Liquidators and the Directors, save as disclosed above, as at 30th June, 2005, 2006 and 2007 respectively, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept by the Company under Section 352 of the SFO or which are notified to the Company and the Stock Exchange pursuant to the Adopted Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the Liquidators and the Directors, as at 30th June, 2007, 2006 and 2005, the following persons (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

| Beneficial interests                            | Underlying Shares of HK\$0.1 each |                     |                             | Percentage of total Issued shares |
|---|-----------------------------------|---------------------|-----------------------------|-----------------------------------|
|   | Personal interests                | Corporate interests | Total number of shares held |                                   |
| <b>As at 30th June, 2007</b>                    |                                   |                     |                             |                                   |
| Ms Kwok Kin Kwok                                | 24,000,000                        | –                   | 24,000,000                  | 5.78%                             |
| Ms Au Suet Ming Clarea ( <i>Note</i> )          | 400,000                           | 247,128,000         | 247,528,000                 | 56.26%                            |
| Billion Wealth Holdings Limited ( <i>Note</i> ) | –                                 | 247,128,000         | 247,128,000                 | 56.17%                            |
| <b>As at 30th June, 2006 and 2005</b>           |                                   |                     |                             |                                   |
| Ms Kwok Kin Kwok                                | 24,000,000                        | –                   | 24,000,000                  | 5.78%                             |

# Report of the Liquidators and the Directors

*Note:* To the best knowledge of the Liquidators and the Directors, on 15th September, 2006, Ms Au become interested in 247,128,000 shares of the Company as Billion Wealth Holdings Limited, a corporation controlled by her, held a security interest of the said shares on the that date. Together with her personal interest in 400,000 shares of the Company, Ms Au became interested in 247,528,000 shares of the Company.

Save as disclosed above, as at 30th June, 2005, 2006 and 2007 respectively, no person, other than the directors and chief executive of the Company whose interests have been set out in the section headed “Directors’ and the Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had registered an interest and a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

## **DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES**

To the best knowledge of the Liquidators and the Directors, other than as disclosed under the sections “Share Option Scheme” and “Directors’ and Chief Executives’ Interests in Securities” above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or Chief Executives of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## **DIRECTORS’ AND CONTROLLING SHAREHOLDERS’ INTERESTS IN CONTRACTS**

The Liquidators and the Directors make no representation as to whether there was any contract of significance in relation to the Company’s business, to which the Company or any of its subsidiaries was a party, subsisted at the end of the year or at any time during the years ended 30th June, 2005 to 2007, and in which an Existing Director had, whether directly or indirectly, a material interest, nor there was any other contract of significance in relation to the Company’s business between the Company or any of the Company’s subsidiaries and a controlling shareholder or any of its subsidiaries.

## **DIRECTORS’ INTERESTS IN COMPETING BUSINESS**

The Liquidators and the Directors make no representation as to whether any Existing Director or the management shareholder of the Company had any interest in a business which competes or may compete with the business of the Group during the years ended 30th June, 2005 to 2007.

## **MANAGEMENT CONTRACT**

The Liquidators and the Directors make no representation as to whether there was any contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

# Report of the Liquidators and the Directors

## **CORPORATE GOVERNANCE**

Since the Liquidators were appointed on 3rd May, 2007 pursuant to an Order of the High Court of Hong Kong. Consequently, the Liquidators are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rule throughout the three years ended 30th June, 2005, 2006 and 2007.

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

The Liquidators and the Directors make no representation as to whether the Company adopted the code set out in the Rules 5.46 to 5.68 of the GEM Listing Rules for securities transactions by Directors during the years ended 30th June, 2005, 2006 and 2007.

## **COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES**

The Liquidators make no representation as to whether the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the years ended 30th June, 2005, 2006 and 2007.

## **MANAGEMENT ANALYSIS**

The Liquidators were only appointed to the Company on 3rd May, 2007. As the financial accounts for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 ("the reporting years") were mainly taken place prior to the appointment of Liquidators, the Liquidators are unable to comment as to the performance of the Group, apart from the information disclosed in this annual report, as set out in paragraphs 18.83 of Chapter 18 of the GEM Listing Rules throughout the reporting years.

## **AUDITORS**

The financial statements for the years ended 30th June, 2002 to 2004 were audited by CCIF CPA Limited. The financial statements for the years ended 30th June, 2005 to 2007 were audited by Messrs Ting Ho Kwan & Chan.

By Order of the Board of  
**Creative Energy Solutions Holdings Limited**  
(In Liquidation)  
**CHOW Wai Shing Daniel**  
*Executive Director*

For and on behalf of  
**Creative Energy Solutions Holdings Limited**  
(In Liquidation)  
**Desmond Chung Seng Chiong**  
**Roderick John Sutton**  
*Joint and Several Liquidators*  
*who act without personal liabilities*

# Biographical Details of Directors

To the best knowledge of the Liquidators and the New Directors, the biographical details of the directors of the Company are set out as follows:

## EXECUTIVE DIRECTORS

**Mr. BATCHELOR, John Howard**, aged 35, is an executive director of Ferrier Hodgson Limited. Mr. Batchelor holds a bachelor degree in commerce from Monash University, Melbourne, Australia. Mr. Batchelor is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants of Australia. He has over 13 years experience in corporate advisory, operational turnaround and general consulting. He has been managing the liquidation and restructuring aspects of Peace Mark (Holdings) Limited (Provisional Liquidators Appointed) and the liquidation of the group of companies under Moulin Global Eyecare Holdings Limited (In Liquidation). He has been a non-executive director of Sincere Watch (Hong Kong) Limited, a company listed on the Main Board of the Stock Exchange since 16th April, 2009. He has also been a director of Sincere Watch Limited since September, 2008, a company which was listed on the Singapore Stock Exchange until 8th August, 2008. Save as the above, Mr. Batchelor did not hold any directorships in any listed companies in the last three years and he does not hold any other positions with the Company or other members of the Group.

**Mr. CHENG Chi Ho**, aged 36, is a director of Ferrier Hodgson Limited. Mr. Cheng holds a bachelor degree in business from the RMIT University, Australia. Mr. Cheng is a member of CPA Australia. He has over 12 years of corporate restructuring, recovery and financial advisory experience with Ferrier Hodgson Limited. He was involved in the restructuring and re-listing of various listed companies in Hong Kong including Minmetals Land Limited and Minmetals Resources Limited. He is also involved in various projects advising international investment banks with respect to their bid for the non performing loans from the Bank of China (Hong Kong) Limited, Cinda Asset Management Corporation and China Huarong Asset Management Corporation. Mr. Cheng did not hold any directorships in any listed public companies in the last three years and he does not hold any other positions with the Company or other members of the Group.

**Mr. CHOW Wai Shing Daniel**, aged 35, is a director of Ferrier Hodgson Limited. Mr. Chow holds a bachelor degree in laws from the University of London and a bachelor degree in commerce from the Curtin University of Technology, Australia. Mr. Chow is a fellow member of the Hong Kong Institute of Certified Public Accountants, a Certified Practising Accountant in Australia, associate member of the Certified Fraud Examiner, the United States and the Taxation Institute of Hong Kong, an Associate of the Institute of Chartered Secretaries and Administrators, the United Kingdom and the Hong Kong Institute of Chartered Secretaries. He has over 12 years of corporate restructuring and recovery experience with Ferrier Hodgson Limited including corporate restructuring and liquidations, receiverships, financial reviews and personal insolvencies. He was involved in the restructuring and re-listing of various listed companies in Hong Kong including Innovative International (Holdings) Limited and G-Prop (Holdings) Limited. He is also managing the restructuring aspects of the administrations of other listed companies in Hong Kong including the Company, Peace Mark (Holdings) Limited (Provisional Liquidators Appointed) and China Packaging Group Company Limited (Provisional Liquidators Appointed). Mr. Chow did not hold any directorships in any listed public companies in the last three years and he does not hold any other positions with the Company or other members of the Group.

## Biographical Details of Directors

**Ms. LIN Rong Ying**, aged 56, was appointed as an executive director of the Company on 26th September, 2001. Ms. Lin is the deputy chairman of the Company. She graduated with a Bachelor's degree in accountancy from Jiangxi University. Ms. Lin has 16 years of experience in financial and accounting management and is responsible for the overall financial operations of the Group.

**Mr. SHUM Fong Chung**, aged 55, was appointed as an executive director of the Company on 26th September, 2001. Mr. Shum is the chairman and a founding member of the Company. He is responsible for formulating the overall business strategies and plans of the Group. Mr. Shum has more than 22 years' experience in electronic engineering business. Prior to founding the Group in 1999, Mr. Shum worked as an engineer and focused on electronic engineering research in Nanjing the Ninth Five Year Plan Engineering Research Institute and was the general manager of the China Vintong Group, a stated-owned electronic trading company in Guangzhou. Mr. Shum graduated with a Bachelor's degree in wireless engineering from Fuzhou University and he also studied business management in Xiamen University.

**Mr. YEUNG Ka Wing**, aged 38, is an associate director of Ferrier Hodgson Limited. Mr. Yeung holds a bachelor degree in business administration from the Simon Fraser University, Canada and a diploma in insolvency, Hong Kong Institute of Certified Public Accountants. Mr. Yeung is a member of the American Institute of Certified Public Accountants. He has over 11 years experience in corporate recovery, corporate restructuring, financial reviews, individual bankruptcies, due diligence and auditing. He was involved in the restructuring of various listed companies in Hong Kong including Artel Solutions Group Holdings Limited, Warderly International Holdings Limited, Orient Power Holdings Limited (Receivers and Managers Appointed) (In Liquidation) and Peace Mark (Holdings) Limited (Provisional Liquidators Appointed). He is also managing the restructuring aspects of the administrations of other listed companies in Hong Kong, namely Tack Fat Group International Limited (Provisional Liquidators Appointed) and China Packaging Group Company Limited (Provisional Liquidators Appointed). Mr. Yeung did not hold any directorships in any listed public companies in the last three years and he does not hold any other positions with the Company or other members of the Group.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. SHI Jian Hui**, aged 54, was appointed as an independent non-executive director of the Company on 26th September, 2001. He has served as the officer and vice president of the financial division of the Standing Committee of the Provisional People's Congress of Fujian Province for more than 12 years. He has not held any directorship in any listed companies in the last three years. Mr. Shi has entered a letter of appointment with the Company for a term of three years commencing on 3rd January, 2002 and will continue thereafter unless and until terminated in accordance with the terms and conditions stated in the letter of appointment.

**Ms. TO Sin Ning**, aged 51, was appointed as an independent non-executive director of the Company on 30th September, 2004. She graduated from Guangxi Medical College with a bachelor degree. She has over 22 years of experience in teaching, management and research. Ms. To is currently a senior consultant of China International Research Association on Transnational Corporations Development Centre. She has not held any directorship in any listed companies in the last three years. She has entered a letter of appointment with the Company for a term of three years; she shall be entitled to terminate her appointment at any time by giving the Company at least one month notice in writing.

# Independent Auditor's Report

## TING HO KWAN & CHAN

CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building  
249-253 Des Voeux Road C.  
Hong Kong



**TO THE JOINT AND SEVERAL LIQUIDATORS (THE "LIQUIDATORS") OF  
CREATIVE ENERGY SOLUTIONS HOLDINGS LIMITED  
(In Liquidation)**

*(incorporated in Bermuda with limited liability)*

We were engaged to audit the financial statements of Creative Energy Solutions Holdings Limited (the "Company") set out on pages 26 to 67, which comprise the consolidated balance sheets as at 30th June, 2005, 30th June, 2006 and 30th June, 2007, the consolidated income statements and consolidated statements of changes in equity for the respective three years then ended, and a summary of significant accounting policies and other explanatory notes.

### **LIQUIDATORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Liquidators are responsible for the preparation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, based on the books and records made available to the Liquidators, and the bases set out in notes 2 and 3 to the financial statements. The Liquidators are also responsible, to their best endeavour, for making available to the auditor, all the books of account and all other records and information that come into their possession relevant to the preparation and the true and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITOR'S RESPONSIBILITY**

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

Except for the limitation in scope of our work explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion.

# Independent Auditor's Report

## **Basis for disclaimer of opinion and qualified opinion arising from disagreement about accounting treatments**

1. On 30th April, 2008, we were engaged by the Liquidators of the Company to perform an audit of the financial statements for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007. The Liquidators confirmed in note 3(a)(xiii) to the financial statements that the books and records, which have been taken possession by them, did not contain sufficient financial information, details and breakdown (i) to ensure the validity of the accuracy, correctness and reliability of the opening balances as at 1st July, 2004 and (ii) to ensure the financial statements are properly prepared in compliance with the applicable disclosure provisions of the Rules Governing the Listing of the Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. We were not able to carry out auditing procedures necessary to obtain adequate assurance regarding the opening balances, therefore the corresponding amounts shown may not be comparable and any adjustments to the opening balances as at 1st July, 2004 might have a consequential effect on the losses of the Group for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007. We were also unable to comment on whether the financial statements for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 are properly prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of the Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
2. The Company had received a winding-up order from High Court of Hong Kong on 14th February, 2007 and the Liquidators were appointed on 3rd May, 2007. The directors were therefore not able to fulfill their commitments in relation to the audits for the respective years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007. In consequence, we were therefore unable to carry out auditing procedures necessary to obtain adequate assurance regarding the assets, liabilities, income and expenses appearing in the financial statements for the respective three years then ended. There were no satisfactory audit procedures that we could adopt to obtain sufficient evidence regarding the accuracy and completeness of assets, liabilities, income and expenses appearing in the financial statements under review.
3. As more fully explained in note 17 to the financial statements, the consolidated balance sheets include subsidiaries on the basis of unaudited financial information, other than Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd. ("Beijing Creative"). Accordingly, we have been unable to establish whether the amounts consolidated fairly reflect the position at 30th June, 2005, 30th June, 2006 and 30th June, 2007 or the results for the respective three years then ended. The financial statements of Beijing Creative were audited by another firm of certified public accountants. We were not able to conduct a review on the audit work done by this audit firm, nor could we able to reperform the audit of Beijing Creative in respect of the financial years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007.



# Independent Auditor's Report

In view of the above, we are unable to assess whether:

- (i) the Group's goodwill and intangible assets are stated at cost less any accumulated impairment losses and properly treated in the consolidated balance sheets as at 30th June, 2005 and 30th June, 2006;
- (ii) the Group's available-for-sale financial assets and trade and other receivables (including significant unreconciled amounts of inter-company balances) are in existence and accordingly we are unable to comment on whether they are fairly stated in the consolidated balance sheets as at 30th June, 2005 and 30th June, 2006; and
- (iii) the existence and the amounts of the Group's pledged bank deposits and the cash and cash equivalents are fairly stated in the consolidated balance sheets as at 30th June, 2005, 30th June, 2006 and 30th June, 2007.

We were also unable to satisfy ourselves as to the completeness and accuracy of the Group's trade and other payables, bills payable, bank loans and overdrafts and coupon bonds as at 30th June, 2005, 30th June, 2006 and 30th June, 2007. Accordingly, we were unable to satisfy ourselves as to whether these amounts are fairly stated in the financial statements as at respective year end dates.

As more fully explained in note 3(a) to the financial statements, the turnover, cost of services, other revenue, distribution costs, administrative expenses, finance costs and other operating expenses recorded in the consolidated income statements for the respective three years then ended were not properly supported by relevant documentations therefore we were unable to satisfy ourselves as to whether these amounts are fairly stated in the financial statements.

As the Liquidators were only appointed on 3rd May, 2007 and do not have detailed knowledge of the financial affairs of the Group, therefore they considered that no allowances for impairments are necessary in respect of the underlying assets held by the subsidiaries for the years ended 30th June, 2005 and 30th June, 2006. In the absence of supporting documentations and explanations, we were unable to determine whether any allowances for impairment for these assets are to be recognised for the years ended 30th June, 2005 and 30th June, 2006. Furthermore, in the opinion of the Liquidators, as the Group is no longer able to exercise effective control over the subsidiaries, except Beijing Creative, as detailed in note 17, an aggregate amount of impairment losses of RMB187,600,000 has been made against the underlying assets held by these subsidiaries during the financial year ended 30th June, 2007. In the absence of supporting documentations and explanations, we were unable to satisfy ourselves as to whether the amount of impairment has been made adequately.

- 4. As explained in note 3(a)(vii), the financial statements have been prepared based on the available books and records maintained by Company and its subsidiaries. However, in view of the lack of evidence available, we were unable to obtain representation from the Liquidators that all transactions entered into by the Company and its subsidiaries for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 have been properly reflected in the books and records and in the financial statements. In this context, the Liquidators were also unable to represent as to the completeness of the disclosure of commitments and of related party disclosure under HKAS 24 "Related Party Disclosures".

# Independent Auditor's Report

5. As explained in note 3(a)(ix), we were unable to obtain documentation to support the details of the share option scheme as at 30th June, 2005, 30th June, 2006 and 30th June, 2007. Accordingly, there are no required accounting treatment and disclosure about the share option scheme being made in the financial statements.
6. We have not been able to obtain all necessary information for us to complete our review of subsequent events from the balance sheet date up to the date of this report. Such procedures might have resulted in the identification of possible adjustments to the amounts reported in and/or disclosed as notes to the financial statements of the Group as at 30th June, 2005, 30th June, 2006 and 30th June, 2007.
7. Fundamental uncertainty related to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosure in note 3(b) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As explained in note 3(b), the Company is currently negotiating with a potential investor for the purpose of restructuring of the Company's indebtedness and revitalizing the Group's financial position and business. The financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcomes of the measures to be implemented. The financial statements do not include any adjustments that would result from the failure of these measures. We consider that the appropriate disclosures have been made but due to the significant uncertainties relating to the outcome of the restructuring proposal are so extreme, we are not able to determine whether the going concern basis used in preparing these financial statements is appropriate. Accordingly, we have disclaimed our opinion.

8. As explained in note 3(a)(xi), the financial statements do not contain a cash flow statement. This is not in accordance with the requirements of HKAS 7 "Cash Flow Statements". In our opinion, information about the Group's cash flows is necessary for a proper understanding of the Group's state of affairs and losses for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007. It is not practicable to quantify the effect of the departure from these requirements.
9. Because certain accounting records could not be located, the following required disclosures have not been made in the financial statements:
  - i Deferred taxation disclosures as required by HKAS 12: "Income Taxes";
  - ii Segment information disclosures as required by HKAS 14: "Segment Reporting";
  - iii Diluted earnings per share disclosures as required by HKAS 33: "Earnings Per Share";
  - iv Operating leases disclosures as required by HKAS 17: "Leases";

# Independent Auditor's Report

- v Details of directors' and employees' emoluments as required by the Hong Kong Companies Ordinance;
- vi Details of analysis of pledge of assets as required by the Hong Kong Companies Ordinance;
- vii Details of related party disclosures as required by HKAS 24: "Related Party Disclosures";
- viii Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance;
- ix Financial guarantee disclosures as required by HKAS 39: "Financial Instruments: Recognition and Measurement" and HKFRS 4: "Insurance Contracts";
- x Details of the Group's policy in respect of the financial risk management as required by HKAS 32 "Financial Instruments: Disclosure and Presentation"; and
- xi Details of the disclosure on the movements of the Group's property, plant and equipment as required by HKAS 1: "Presentation of Financial Statements".

## **Disclaimer of opinion: disclaimer on view given by financial statements**

Because of the significance of each of (i) the possible effect of the limitations in evidence available to us as set out in the basis for disclaimer opinion paragraphs; and (ii) the fundamental uncertainty relating to the going concern basis, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of affairs of the Group as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 and of the losses of the Group for the respective three years then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

In respect alone of the limitations on our work as set out in the basis for disclaimer of opinion paragraphs of this report:

- We have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- We were unable to determine whether proper books of accounts have been kept.

# Independent Auditor's Report

## Emphasis of matters

We draw attention to note 5(a) to the financial statements, in the opinion of the Liquidators, presentation of the financial statements for the respective three years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 in the format included in these financial statements allows the users to better understand the results of the Group's operations and the Group's state of affairs for those three years then ended, and to compare the results and the state of affairs at each respective balance sheet date with the last audited financial statements which were for the year ended 30th June, 2004. The Liquidators consider that this presentation will provide the most useful information for the users.

**TING HO KWAN & CHAN**

*Certified Public Accountants (Practising)*

Hong Kong, 2nd June, 2008

# Consolidated Income Statements

For the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007

|                               | <i>Notes</i> | <b>2007</b><br>RMB'000 | <b>2006</b><br>RMB'000 | <b>2005</b><br>RMB'000 | <b>2004</b><br>RMB'000 |
|-------------------------------|--------------|------------------------|------------------------|------------------------|------------------------|
| TURNOVER                      | 8            | 2,643                  | 4,449                  | 29,897                 | 59,505                 |
| COST OF SERVICES              |              | (1,962)                | (3,868)                | (18,230)               | (22,131)               |
| GROSS PROFIT                  |              | 681                    | 581                    | 11,667                 | 37,374                 |
| OTHER REVENUE                 | 8            | 810                    | 628                    | 1,259                  | 1,471                  |
| DISTRIBUTION COSTS            |              | (1,191)                | (1,900)                | (4,212)                | (8,333)                |
| ADMINISTRATIVE EXPENSES       |              | (755)                  | (1,896)                | (27,358)               | (16,116)               |
| OTHER OPERATING EXPENSES      |              | (179)                  | (234)                  | (27,297)               | (7,871)                |
| IMPAIRMENT LOSS ON ASSETS     |              | (187,600)              | -                      | -                      | -                      |
| (LOSS)/PROFIT FROM OPERATIONS |              | (188,234)              | (2,821)                | (45,941)               | 6,525                  |
| FINANCE COSTS                 | 9            | (1,302)                | (1,151)                | (3,751)                | (2,348)                |
| (LOSS)/PROFIT BEFORE TAXATION | 10           | (189,536)              | (3,972)                | (49,692)               | 4,177                  |
| TAXATION                      | 11(a)        | -                      | -                      | -                      | (624)                  |
| (LOSS)/PROFIT FOR THE YEAR    |              | (189,536)              | (3,972)                | (49,692)               | 3,553                  |
| ATTRIBUTABLE TO:              |              |                        |                        |                        |                        |
| EQUITY HOLDERS OF THE COMPANY | 12           | (189,536)              | (3,972)                | (49,641)               | 3,840                  |
| MINORITY INTERESTS            |              | -                      | -                      | (51)                   | (287)                  |
| (LOSS)/PROFIT FOR THE YEAR    |              | (189,536)              | (3,972)                | (49,692)               | 3,553                  |
| (LOSS)/EARNINGS PER SHARE     |              |                        |                        |                        |                        |
| Basic                         | 13(a)        | (43.08) cents          | (0.90) cents           | (11.28) cents          | 0.89 cents             |
| Diluted                       | 13(b)        | N/A                    | N/A                    | N/A                    | 0.87 cents             |

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.

# Consolidated Balance Sheets

As at 30th June, 2005, 30th June, 2006 and 30th June, 2007

|   | <i>Notes</i> | <b>2007</b><br>RMB'000 | <b>2006</b><br>RMB'000 | <b>2005</b><br>RMB'000 | <b>2004</b><br>RMB'000 |
|---|--------------|------------------------|------------------------|------------------------|------------------------|
| <b>NON-CURRENT ASSETS</b>                                     |              |                        |                        |                        |                        |
| Property, plant and equipment                                 | 14           | 155                    | 2,825                  | 3,258                  | 8,485                  |
| Intangible assets   | 15           | –                      | 5,629                  | 5,825                  | 19,671                 |
| Goodwill  | 16           | –                      | 55,453                 | 55,453                 | 55,453                 |
| Available-for-sale financial assets                           | 18           | –                      | 21,302                 | 22,045                 | –                      |
| Other investments in securities                               | 19           | –                      | –                      | –                      | 25,454                 |
| Trade receivables   | 20           | –                      | 37,267                 | 37,327                 | 10,546                 |
|   |              | 155                    | 122,476                | 123,908                | 119,609                |
| <b>CURRENT ASSETS</b>   |              |                        |                        |                        |                        |
| Inventories   | 21           | 884                    | 9,386                  | 7,717                  | 480                    |
| Work in progress  | 22           | 2,328                  | 2,202                  | 3,182                  | 404                    |
| Trade and other receivables                                   | 23           | 40,303                 | 82,142                 | 83,054                 | 48,244                 |
| Pledged bank deposits   | 24           | –                      | 11,993                 | 12,411                 | 27,865                 |
| Cash and cash equivalents                                     |              | 179                    | 4,173                  | 4,192                  | 86,276                 |
|   |              | 43,694                 | 109,896                | 110,556                | 163,269                |
| <b>CURRENT LIABILITIES</b>                                    |              |                        |                        |                        |                        |
| Trade and other payables                                      | 25           | 39,079                 | 34,199                 | 28,848                 | 8,385                  |
| Bills payable   |              | 1,778                  | 1,878                  | 1,944                  | 3,498                  |
| Bank loans and overdrafts                                     | 26           | 30,707                 | 32,363                 | 34,088                 | 49,230                 |
| Current portion of coupon bonds                               | 28           | 24,766                 | –                      | –                      | 7,441                  |
| Income tax payable  |              | 287                    | 146                    | 361                    | 269                    |
|   |              | 96,617                 | 68,586                 | 65,241                 | 68,823                 |
| <b>NET CURRENT (LIABILITIES)/<br/>ASSETS</b>                  |              | <b>(52,923)</b>        | <b>41,310</b>          | <b>45,315</b>          | <b>94,446</b>          |
| <b>TOTAL ASSETS LESS<br/>CURRENT LIABILITIES</b>              |              | <b>(52,768)</b>        | <b>163,786</b>         | <b>169,223</b>         | <b>214,055</b>         |
| <b>NON-CURRENT LIABILITIES</b>                                |              |                        |                        |                        |                        |
| Coupon bonds  | 28           | –                      | 26,168                 | 27,080                 | 22,324                 |
| <b>NET (LIABILITIES)/ASSETS</b>                               |              | <b>(52,768)</b>        | <b>137,618</b>         | <b>142,143</b>         | <b>191,731</b>         |
| <b>CAPITAL AND RESERVES</b>                                   |              |                        |                        |                        |                        |
| Share capital   | 29           | 46,640                 | 46,640                 | 46,640                 | 46,640                 |
| Reserves  |              | (101,157)              | 89,229                 | 93,754                 | 143,291                |
| Total equity attributable to<br>equity holders of the Company |              | (54,517)               | 135,869                | 140,394                | 189,931                |
| <b>MINORITY INTERESTS</b>                                     |              | <b>1,749</b>           | <b>1,749</b>           | <b>1,749</b>           | <b>1,800</b>           |
| <b>TOTAL EQUITY</b>   |              | <b>(52,768)</b>        | <b>137,618</b>         | <b>142,143</b>         | <b>191,731</b>         |

The financial statements were approved and authorised for issue by the Liquidators on 2nd June, 2008.

**Desmond Chung Seng Chiong**

**Roderick John Sutton**

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

|   | Attributable to equity holders of the Company |                      |          |           |           |           |           |
|---|---|----------------------|----------|-----------|-----------|-----------|-----------|
|   | Share   | Share                | Other    | Retained  | Total     | Minority  | Total     |
|   | capital                                       | premium              | reserves | profits   |           | interests |           |
| RMB'000   | RMB'000                                       | (note 31)<br>RMB'000 | RMB'000  | RMB'000   | RMB'000   | RMB'000   |           |
| Balance at 1st July, 2003                               | 43,990  | 47,299               | 29,663   | 58,782    | 179,734   | -         | 179,734   |
| Premium on issue of shares<br>under a private placement | 2,650   | 3,975                | -        | -         | 6,625     | -         | 6,625     |
| Share issuance expenses                                 | -   | (268)                | -        | -         | (268)     | -         | (268)     |
| Acquisition of a subsidiary                             | -   | -                    | -        | -         | -         | 2,087     | 2,087     |
| Profit for the year                                     | -   | -                    | -        | 3,840     | 3,840     | (287)     | 3,553     |
| Transfer from retained profits                          | -   | -                    | 2,625    | (2,625)   | -         | -         | -         |
| Balance at 30th June, 2004 and<br>1st July, 2004        | 46,640  | 51,006               | 32,288   | 59,997    | 189,931   | 1,800     | 191,731   |
| Loss for the year                                       | -   | -                    | -        | (49,641)  | (49,641)  | (51)      | (49,692)  |
| Currency translation differences                        | -   | -                    | 104      | -         | 104       | -         | 104       |
| Balance at 30th June, 2005 and<br>1st July, 2005        | 46,640  | 51,006               | 32,392   | 10,356    | 140,394   | 1,749     | 142,143   |
| Loss for the year                                       | -   | -                    | -        | (3,972)   | (3,972)   | -         | (3,972)   |
| Currency translation differences                        | -   | -                    | (553)    | -         | (553)     | -         | (553)     |
| Balance at 30th June, 2006 and<br>1st July, 2006        | 46,640  | 51,006               | 31,839   | 6,384     | 135,869   | 1,749     | 137,618   |
| Loss for the year                                       | -   | -                    | -        | (189,536) | (189,536) | -         | (189,536) |
| Currency translation differences                        | -   | -                    | (850)    | -         | (850)     | -         | (850)     |
| Balance at 30th June, 2007                              | 46,640  | 51,006               | 30,989   | (183,152) | (54,517)  | 1,749     | (52,768)  |

The notes on pages 29 to 67 are an integral part of these consolidated financial statements.



# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 1. ORGANISATION AND OPERATIONS

Creative Energy Solutions Holdings Limited (In Liquidation) (the “Company”) is a public limited company domiciled and incorporated in Bermuda and its shares are listed on Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The trading of the Company’s shares on the Stock Exchange has been suspended since 30th September, 2005.

The Company is an investment holding company. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The Company acts as an investment holding company and the Group is principally engaged in the provision of energy efficiency solutions and engineering consulting services in the People’s Republic of China (“PRC”) including Hong Kong.

The Company’s functional currency is Renminbi. The consolidated financial statements are presented in Renminbi as it is considered the most appropriate presentation currency in view of the Company’s past practice. All values are rounded to the nearest thousand except when otherwise indicated.

## 2. WINDING-UP PETITION AND APPOINTMENT OF LIQUIDATORS

On 14th February, 2007, the High Court of Hong Kong (“Court”) ordered that the Company be wound-up and appointed the Official Receiver, who was appointed under the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as provisional liquidator pursuant to Section 194(1)(a) of the Hong Kong Companies Ordinance. The Court appointed Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton, both of Ferrier Hodgson Limited, as joint and several liquidators (“Liquidators”) of the Company on 3rd May, 2007.

In the Hong Kong perspective, the directors of the Company no longer have the power, as a consequence of the appointment of the Liquidators, to present a directors’ report or prepare the financial statements.

The Liquidators were only appointed on 3rd May, 2007 and do not have the same detailed knowledge of the financial affairs of the Group as the directors of the Company might have. The accounting staff responsible for maintaining the books and records of the Company, and preparing its financial statements, had left the Company prior to the appointment of the Liquidators. The Liquidators have reviewed such books and records of the Company as were made available to them. The Liquidators have not yet been able to look into all aspects of the Group’s and the Company’s affairs, and as liquidators, their main duty, and therefore concern, has been with the protection of the Company’s assets, rather than the computation of the profit and loss of the Group and the Company.

The Liquidators confirmed that the Company is no longer able to exercise effective control over the subsidiaries except Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd. (the “Beijing Creative”). The Group currently continue its operation mainly through its wholly owned subsidiary, Beijing Creative which is carrying on the business activities in the provision of energy efficiency solutions and engineering consulting services.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 2. WINDING-UP PETITION AND APPOINTMENT OF LIQUIDATORS *(continued)*

On 24th November, 2006, the Stock Exchange announced that the Company had been placed into the de-listing procedure. The Stock Exchange imposed a six-month period to 23rd May, 2007 for the Company to submit a resumption proposal.

On 9th May, 2007, the Company, Million Sino Investments Limited (the "Investor"), the Liquidators and Ferrier Hodgson Limited (the "Escrow Agent") (together the "Relevant Parties") entered into the Escrow and Exclusivity Agreement (the "Agreement") whereby the Investor was given an exclusivity period up to 30th November, 2007 for discussion and finalisation of the Restructuring Proposal of the Company. As additional time is required for finalisation of the Restructuring Proposal, the Relevant Parties entered into a supplemental escrow agreement on 30th November, 2007 pursuant to which the exclusivity period is extended to 31st May, 2008.

On 31st May, 2008, the Relevant Parties entered into the 2nd supplemental agreement to further extend the exclusivity period to 30th November, 2008.

### 3(a). BASIS OF PREPARATION

As mentioned in note 2, the accounting staff responsible for maintaining the books and records of the Group, and preparing its financial statements, had left the Group prior to the appointment of the Liquidators. Although the Liquidators have used their best endeavors to relocate all the financial and business records of the Group as most of the former directors of the Company, former senior management and former accounting personnel of the Group have left the Group, Liquidators have been unable to locate sufficient documentary information to satisfy themselves regarding the treatment of various balances of the Group and of the Company as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 and for the respective three years then ended.

- (i) Turnover includes recorded sales of approximately RMB29,897,000, RMB4,449,000 and RMB2,643,000 for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 respectively in respect of which the Liquidators were unable to locate the supporting documentation. Accordingly, the Liquidators have been unable to satisfy themselves as to whether these sales are fairly stated in the financial statements.
- (ii) Losses before taxation for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 respectively have been arrived at after charging/crediting the following amounts in respect of which the Liquidators were unable to locate third party supporting documentation:
  - cost of services of approximately RMB18,230,000, RMB3,868,000 and RMB1,962,000 respectively;
  - other revenue of approximately RMB1,259,000, RMB628,000 and RMB810,000 respectively;
  - distribution costs of approximately RMB4,212,000, RMB1,900,000 and RMB1,191,000 respectively;
  - administrative expenses of approximately RMB27,358,000, RMB1,896,000 and RMB755,000 respectively;

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 3(a). BASIS OF PREPARATION *(continued)*

- other operating expenses of approximately RMB27,297,000, RMB234,000 and RMB179,000 respectively; and
- finance costs of approximately RMB3,751,000, RMB1,151,000 and RMB1,302,000 respectively.

Accordingly, the Liquidators have been unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

- (iii) In the absence of a reliable fixed assets register of the Group as at 30th June, 2005, 30th June, 2006 and 30th June, 2007, the Liquidators were unable to satisfy themselves as to the existence of leasehold improvements, furniture and equipment, motor vehicles, plant and machinery and construction in progress appearing in the consolidated balance sheet as at the respective year end dates.
- (iv) The Liquidators were unable to obtain documentation to satisfy themselves as to the existence and valuation of the Group's intangible assets as at 30th June, 2005, 30th June, 2006 and 30th June, 2007, which represent energy saving technologies named "SAVIN 2000" and "New Era", are fairly stated in the financial statements.
- (v) The Liquidators were unable to satisfy themselves as to whether amounts of available-for-sale financial assets of RMB22,045,000, RMB21,302,000 and nil balance included in the balance sheets of the Group as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 respectively are fairly stated in the financial statements.
- (vi) The Liquidators were unable to obtain documentation to satisfy themselves as to the existence of pledged bank deposits, cash and cash equivalents, inventories and trade and other receivables of the Group, and also the ageing analysis of the trade receivables of the Group as at 30th June, 2005, 30th June, 2006 and 30th June, 2007. Accordingly, the Liquidators were unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.
- (vii) The financial statements have been prepared based on the available books and records maintained by the Company and its subsidiaries. However, in view of the lack of evidence available, the Liquidators were unable to represent that all transactions entered into by the Company and its subsidiaries for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 have been properly reflected in the books and records and in the financial statements. In this context, the Liquidators were also unable to represent as to the completeness of the disclosure of commitments and of related party disclosures.
- (viii) The Liquidators were unable to satisfy themselves as to the completeness of the Group's trade and other payables, bills payable, bank loans and overdrafts and coupon bonds as at 30th June, 2005, 30th June, 2006 and 30th June, 2007. Accordingly, the Liquidators were unable to satisfy themselves as to whether these amounts are fairly stated in the financial statements.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## **3(a). BASIS OF PREPARATION *(continued)***

- (ix) The Liquidators were unable to obtain documentation to support the details of the share option scheme as at 30th June, 2005, 30th June, 2006 and 30th June, 2007. Accordingly, no required accounting treatment and disclosure about the share option scheme has been made in the financial statements.
- (x) Because certain accounting records have been mislaid, the following required disclosures have not been made in the financial statements:
1. Deferred taxation disclosures as required by HKAS 12: "Income Taxes";
  2. Segment information disclosures as required by HKAS 14: "Segment Reporting";
  3. Diluted earnings per share disclosures as required by HKAS 33: "Earnings Per Share";
  4. Operating leases disclosures as required by HKAS 17: "Leases";
  5. Details of directors' and employees' emoluments as required by the Hong Kong Companies Ordinance;
  6. Details of analysis of pledge of assets as required by the Hong Kong Companies Ordinance;
  7. Details of related party disclosures as required by HKAS 24: "Related Party Disclosures";
  8. Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance;
  9. Financial guarantee disclosures as required by HKAS 39: "Financial Instruments: Recognition and Measurement" and HKFRS 4: "Insurance Contracts"; and
  10. Details of the Group's policy in respect of the financial risk management as required by HKAS 32: "Financial Instruments: Disclosure and Presentation".
- (xi) The financial statements do not contain a cash flow statement as required by Hong Kong Accounting Standards ("HKAS") 7 "Cash Flow Statements" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In the opinion of the Liquidators, such information would not assist users of the financial statements in view of the circumstances set out above.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## **3(a). BASIS OF PREPARATION (*continued*)**

- (xii) No information is available to present the Group's financial information by segment. This is not in accordance with the requirements of HKAS 14 "Segment Reporting".
- (xiii) The Liquidators confirmed that the books and records, which have been taken possession by them, did not contain sufficient financial information, details and breakdown (i) to ensure the validity of the accuracy, correctness and reliability of the opening balances as at 1st July, 2004 and (ii) to ensure the financial statements are properly prepared in compliance with the applicable disclosure provisions of the Rules Governing the Listing of the Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

## **3(b). GOING CONCERN**

In preparing the financial statements, the Liquidators have given careful consideration to the future operations and financing of the Group in view of the Group's net liabilities as at 30th June, 2007. In view of the fact that the Company is currently negotiating with a potential investor for the purpose of restructuring the Company's indebtedness and revitalizing the Group's financial position and business, the Liquidators have prepared the financial statements on the basis that the Restructuring Proposal as mentioned in note 2 above will be successfully implemented and that the Group will have sufficient working capital to be able to resume its operations. The financial statements do not include any adjustments that would result from the failure to implement the Restructuring Proposal.

## **4. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS**

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 7.

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group. Note 6 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

A summary of significant accounting policies adopted by the Group is set out in note 5.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Presentation of the results for 2005, 2006 and 2007

No audited financial statements have been prepared for the Company since 30th June, 2004 and in the opinion of the Liquidators, presentation of the financial statements for the respective years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 in the format included in this Report allows the users to better understand the results of the Group's Operations and the Group's state of affairs for those three years then ended, and to compare the results and respective states of affairs at each balance sheet date with the last audited financial statements which were for the year ended 30th June, 2004. The Liquidators consider that this presentation will provide the most useful information for the users.

### (b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to 30th June.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (c) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and any impairment losses (*see note 5(i)*).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, on a straight-line basis over their estimated useful lives as follows:

|                         |  |
|-------------------------|--|
| Leasehold improvements  | Shorter of useful lives or lease terms |
| Furniture and equipment | 5 years                                |
| Motor vehicles          | 5 years                                |
| Plant and machinery     | 2 – 5 years                            |

The residual value (if any) and the useful life of an asset are reviewed at least at each financial year-end.

Construction in progress represents buildings, structures, plant and machinery and other fixed assets under construction or installation and is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises direct costs of construction, installation and testing as well as capitalised borrowing costs on related borrowed funds during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

### (d) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the cost of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and any impairment losses (*see note 5(i)*). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and any impairment losses (*see note 5(i)*). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.



# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (d) Intangible assets (other than goodwill) *(continued)*

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives of not exceeding ten years from the date when the assets are available for use.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

### (e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated any impairment losses. Goodwill is allocated to cash-generated units and is tested annually for impairment (*see note 5(i)*). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (f) Investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investment in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (f) Investments in equity securities *(continued)*

Investments in securities held for trading are classified as current assets as trading securities. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss.

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses *(see note 5(i))*.

Investments in securities which do not fall into any of the above categories are classified as available-for-sale financial assets. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses in respect of monetary items such as debt securities which are recognised directly in profit or loss. Where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss. When these investments are derecognised or impaired *(see note 5(i))*, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

### (g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition and are assigned by using the first-in-first-out method.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (h) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts (*see note 5(i)*).

- interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts; and
- short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

### (i) Impairment of assets

#### *(i) Impairment of investments in equity securities and other receivables*

Investment in equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material, impairment losses for equity securities are not reversed.
- For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Impairment of assets *(continued)*

#### *(i) Impairment of investments in equity securities and other receivables (continued)*

- For available-for-sale financial assets, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

#### *(ii) Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indicators that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment ;
- intangible assets; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Impairment of assets *(continued)*

#### *(ii) Impairment of other assets (continued)*

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (j) Cash and cash equivalents

Cash and cash equivalents comprises cash at bank and on hand, demand deposits with bank and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (k) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

- Short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount; and
- Interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

### (l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates (and laws) enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets also arise from unused tax losses and unused tax credits.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (m) Employee benefits

#### *(i) Paid leave carried forward*

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

#### *(ii) Employment Ordinance long service payments*

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

#### *(iii) Retirement benefit costs*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (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 Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

In accordance with the relevant PRC rules and regulations, the PRC subsidiaries are required to establish defined contribution plans managed by the relevant local government bureau in the PRC and to make contributions to the plan for its eligible employees. The contribution borne by the Group is calculated according to the level regulated by the municipal government.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (n) Financial guarantee issued, provisions and contingent liabilities

#### *(i) Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 5(n)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

#### *(ii) Contingent liabilities acquired in business combinations*

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 5(n)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 5(n)(iii).

#### *(iii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.



# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (n) Financial guarantee issued, provisions and contingent liabilities *(continued)*

#### *(iii) Other provisions and contingent liabilities (continued)*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Group. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the Group and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognised as follows:

#### *(i) Revenue from provision of system design and integration services*

Revenue arising from the provision of system design and integration services is recognised by reference to the stage of completion is generally determined by reference to the service performed to date as a proportion of total services. Revenue is usually recognised when the degree to the completion is around 80% of the total project work. Revenue is stated after deduction of PRC business and value added taxes.

#### *(ii) Revenue from provision of energy saving services*

Revenue from provision of energy saving services is recognised based on energy savings derived from meter readings which are taken to be the point in time the customer has accepted it. Revenue is stated after deduction of PRC business and value added taxes.

#### *(iii) Interest income*

Interest income is accrued on a time-proportion basis by reference to the principal outstanding and the interest rate applicable.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (p) Foreign currency translation

#### *(i) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RMB dollars, which is the Company's functional and presentation currency.

#### *(ii) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges. Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

#### *(iii) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (p) Foreign currency translation *(continued)*

#### *(iii) Group companies (continued)*

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (q) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

### (r) Operating lease charge

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Where the Group is the lessee, payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

### (s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - (1) controls, is controlled by, or is under common control with, the Group;
  - (2) has an interest in the Group that gives its significant influence over the Group; or
  - (3) has joint control over the Group;

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (s) Related parties *(continued)*

- (ii) the party is a jointly-controlled entity;
- (iii) the party is an associate;
- (iv) the party is a member of the key management personnel of the Group 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 Group, or of any entity that is a related party of the Group.

## 6. THE ADOPTION OF NEW AND REVISED HKFRS

The HKICPA has issued certain new and revised HKFRS that are first effective for the accounting period beginning on or after 1st January, 2005 as follows:

|           |   |
|-----------|---|
| • HKAS 1  | Presentation of Financial Statements                            |
| • HKAS 2  | Inventories   |
| • HKAS 7  | Cash Flow Statements  |
| • HKAS 8  | Accounting Policies, Changes in Accounting Estimates and Errors |
| • HKAS 10 | Events after the Balance Sheet Date                             |
| • HKAS 16 | Property, Plant and Equipment                                   |
| • HKAS 17 | Leases  |
| • HKAS 18 | Revenue   |
| • HKAS 21 | The Effects of Changes in Foreign Exchange Rates                |
| • HKAS 23 | Borrowing Costs   |
| • HKAS 24 | Related Party Disclosures                                       |
| • HKAS 27 | Consolidated and Separate Financial Statements                  |
| • HKAS 32 | Financial Instruments: Disclosures and Presentation             |
| • HKAS 33 | Earnings Per Share  |
| • HKAS 36 | Impairment of Assets  |
| • HKAS 38 | Intangible Assets   |
| • HKAS 39 | Financial Instruments: Recognition and Measurement              |

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 6. THE ADOPTION OF NEW AND REVISED HKFRS *(continued)*

|                                     |   |
|-------------------------------------|---|
| • HK(SIC) – Int 15                  | Operating Leases – Incentives   |
| • HKFRS 2                           | Share-based Payment   |
| • HKFRS 3                           | Business Combinations   |
| • HKFRS 4                           | Insurance Contracts   |
| • HKFRS 5                           | Non-current Assets Held for Sale and Discontinued Operations  |
| • HKFRS 6                           | Exploration for and Evaluation of Mineral Resources   |
| • HKAS 19 Amendment                 | Actuarial Gains or Losses, Group Plans and Disclosures  |
| • HKAS 21 Amendment                 | The Effects of Changes in Foreign Exchange Rates<br>– Net Investment in a Foreign Operation                                 |
| • HKAS 27 Amendment                 | Consolidated and Separate Financial Statements: Amendments as a<br>consequence of the Companies (Amendments) Ordinance 2005 |
| • HKAS 39 Amendment                 | Cash Flow Hedge Accounting of Forecast Intragroup Transactions  |
| • HKAS 39 Amendment                 | The Fair Value Option   |
| • HKAS 39 and HKFRS 4<br>Amendments | Financial Guarantee Contracts   |
| • HK(IFRIC)-Int 4                   | Determining whether an Arrangement contains a Lease   |
| • HK(IFRIC)-Int 5                   | Rights to Interests arising from Decommissioning, Restoration and<br>Environment Rehabilitation Funds                       |
| • HK(IFRIC)-Int 6                   | Liabilities arising from Participating in a Specific Market<br>– Waste Electrical and Electronic Equipment                  |
| • HK(IFRIC)-Int 7                   | Applying the Restatement Approach under HKAS 29, Financial Reporting in<br>Hyperinflationary Economies                      |
| • HK(IFRIC)-Int 8                   | Scope of HKFRS 2  |
| • HK(IFRIC)-Int 9                   | Reassessment of Embedded Derivatives  |

Note 5 summarise the accounting policies of the Group, after the adoption of these developments to the extent that they are relevant to the Group. The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 17, 18, 21, 23, 24, 27, 28, 33 and HK(SIC)-Int 15 since the year ended 30th June, 2005 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 affects certain presentation in these financial statements, including the following:
  - minority interests are now presented in the consolidated income statement and within the equity in the consolidated balance sheet separately from results/equity attributable to equity holders of the Company;
  - the Group is no longer permitted not to disclose comparative information for movements in property, plant and equipment.
- HKASs 2, 7, 8, 10, 16, 18, 23, 27, 28, 33 and HK(SIC) – Ints 12 and 15 had no material effect on the Group's policies.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 6. THE ADOPTION OF NEW AND REVISED HKFRS *(continued)*

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy for recognition, measurement, derecognition and disclosure of financial instruments.

Until 30th June, 2004 investments of the Group were shown as long term investments, which were stated in the balance sheet at cost less any accumulated impairment losses, and any impairment losses on long term investments were recognised in the income statement in the period in which they arise.

In accordance with the provisions of HKAS 39, the investments have now been reclassified as available-for-sale financial assets. The classification depends on the purpose for which the investments were held. As a result of the adoption of HKAS 39, all the investments are now stated at fair value in the balance sheet, except for certain available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when they are measured at cost less any accumulated impairment losses. In addition, all the investments as at 30th June, 2004 that should be measured at fair value on adoption of HKAS 39 should be remeasured at 1st July, 2005 and any adjustment of the previous carrying amount should be recognised as an adjustment of the balance of retained profits at 1st July, 2004. However, the adoption of HKAS 39 has had no material effect on the Group's results and equity for the current or prior periods.

The effect of the changes in accounting policies on these financial statements as a result of the adoption of HKAS 32 and HKAS 39 is summarised as follows:

All investment securities of the Group as at 30th June, 2004 were redesignated into available-for-sale financial assets on 1st July, 2004. The aggregate differences between the respective carrying value of each investment as at 30th June, 2004 and the respective fair value at 1st July, 2004, is insignificant and hence, no adjustment has been made against the retained profits at 1st July, 2004.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 30th June, 2004, goodwill was:

- Amortised on a straight-line basis over its estimated useful life; and
- Assessed for an indication of impairment at each balance sheet date.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 6. THE ADOPTION OF NEW AND REVISED HKFRS *(continued)*

In accordance with the provisions of HKFRS 3 *(Note 5(e))*:

- The Group ceased amortisation of goodwill from 1st July, 2004;
- Accumulated amortisation as at 30th June, 2004 should be eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended 30th June, 2005 onwards, goodwill is tested annually for impairment, as well as when there is indication of impairment;
- Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of business combination is recognised immediately in the consolidated income statement. In addition, following the transitional provisions of HKFRS 3, the carrying amounts of the negative goodwill recognised on the consolidated balance sheet or remained credited to the consolidated capital reserve as at 1st July, 2004 were derecognised by way a corresponding adjustment to the opening retained profits as at 1st July, 2004; and
- On disposal of subsidiaries, any attributable goodwill previously eliminated against the consolidated capital reserve at the time of acquisition is transferred to the consolidated retained profits as a movement in reserves and is not included in the calculation of the gain or loss on disposal.

However, the Liquidators were unable to satisfy themselves as to whether there was any indication of impairment of goodwill as at 30th June, 2005 and 30th June, 2006. No impairment of goodwill has been made for the years ended 30th June, 2005 and 30th June, 2006.

The Group should reassess the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

Prior to the adoption of HKFRS 2 on 1st July, 2004, the Group did not recognise the financial effect of share options until they were exercised. The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Group, determined at the date of grant of the share options, over the vesting period with a corresponding credit to equity, unless the transaction is cash settled share-based payment.

However, the Liquidators were unable to gather sufficient evidence about the share option scheme as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 and so no adjustments to prior and current years have been made.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective *(note 33)*.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's management makes assumptions, estimates and judgements in the process of applying the Group's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Key assumption and other key sources of estimation uncertainty:

### (i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 5(i)(ii). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (*Note 16*).

### (ii) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 on determining when an available-for-sale financial asset is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of such financial asset is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

### (iii) Income taxes

The Group is subject to income taxes in a few jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.



# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 8. TURNOVER AND OTHER REVENUE

Turnover represents revenue arising from provision of energy saving services and system design and integration services after deduction of 5% PRC business tax and 6% to 17% PRC value added tax. The amount of each significant category of revenue recognised in turnover during the year is as follows:

|   | 2007    | 2006    | 2005    | 2004    |
|---|---------|---------|---------|---------|
|   | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| <b>Turnover</b>   |         |         |         |         |
| Revenue from provision of energy saving services and system design and integration services | 2,643   | 4,449   | 29,897  | 59,505  |
| <b>Other revenue</b>  |         |         |         |         |
| Interest income from banks  | –       | –       | 458     | 915     |
| Interest income from others   | –       | –       | 270     | –       |
| Handling fee income   | –       | –       | –       | 221     |
| Value added tax refunds   | –       | –       | –       | 309     |
| Net exchange gain   | 663     | 475     | –       | –       |
| Others  | 147     | 153     | 531     | 26      |
|   | 810     | 628     | 1,259   | 1,471   |

## 9. FINANCE COSTS

|   | 2007    | 2006    | 2005    | 2004    |
|---|---------|---------|---------|---------|
|   | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Interest on bank loans wholly repayable within five years   | 1,302   | 1,151   | 1,252   | 1,149   |
| Interest on coupon bonds wholly repayable within five years | –       | –       | 1,554   | 806     |
| Interest on bank overdrafts                                 | –       | –       | 913     | 188     |
| Other borrowings costs                                      | –       | –       | 32      | 205     |
|   | 1,302   | 1,151   | 3,751   | 2,348   |

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 10. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation has been arrived at after charging the following:

|  | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|-------------|-------------|
|  | RMB'000     | RMB'000     | RMB'000     | RMB'000     |
| Staff costs:   |             |             |             |             |
| Directors' remuneration  | –           | –           | 2,889       | 1,460       |
| Salaries and other benefits  | 605         | 1,008       | 6,699       | 7,835       |
| Retirement benefits scheme contributions                           | –           | 4           | 148         | 746         |
|  | 605         | 1,012       | 9,736       | 10,041      |
| Amortisation of goodwill<br>(included in other operating expenses) | –           | –           | –           | 2,521       |
| Amortisation of intangible assets                                  | –           | –           | 2,698       | 3,203       |
| Depreciation of property, plant and equipment                      | 278         | 352         | 585         | 4,500       |
| Operating lease rentals of premises                                | 156         | 260         | 2,233       | 2,572       |
| Research and development costs                                     | 93          | 532         | 6           | 462         |
| Auditors' remuneration   | 10          | 14          | 1,405       | 602         |
| Provision for impairment of bad and<br>doubtful debts              | –           | –           | 2,091       | 959         |
| Net exchange loss  | –           | –           | 272         | 309         |
| Loss on disposal of property,<br>plant and equipment               | –           | –           | 25          | 2           |

## 11. TAXATION

(a) Taxation in the consolidated income statements represents:

|   | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|---|-------------|-------------|-------------|-------------|
|   | RMB'000     | RMB'000     | RMB'000     | RMB'000     |
| Provision for PRC enterprise income tax<br>for the year ( <i>see note (iii) below</i> ) | –           | –           | –           | 624         |

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 11. TAXATION *(continued)*

- (a) Taxation in the consolidated income statement represents: *(continued)*

*Notes:*

**(i) Overseas income tax**

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes.

**(ii) Hong Kong profits tax**

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the years ended 30th June, 2004, 30th June, 2005, 30th June, 2006 and 30th June, 2007.

**(iii) PRC enterprise income tax**

No provision for PRC enterprise income tax has been made as the Group has sustained losses for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007.

The Company's subsidiaries established in the PRC are foreign investment enterprises and are subject to PRC enterprise income tax at a preferential rate of 15%. However, they are exempted from PRC enterprise income tax for two years starting from their first profit-making year after offsetting prior year's tax losses, and are entitled to a 50% relief on PRC enterprise income tax for the following three years.

Fujian Traving Science & Technology of Saving Development Co., Ltd. ("Fujian Traving") became profitable after offsetting prior years' losses in the year ended 30th June, 2000 and, accordingly Fujian Traving was chargeable to PRC enterprise income tax at a rate of 7.5% for the year ended 30th June, 2004.

Hainan Creative Easy Union Science & Technology of Saving Development Co., Ltd ("Hainan Creative") was exempted from PRC enterprise income tax until 31st December, 2003 and was chargeable to PRC enterprise income tax at a rate of 7.5% from 1st January, 2004 to 30th June, 2004.

No provision for PRC enterprise income tax has been made for the year ended 30th June, 2004 in the financial statements of Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd ("Beijing Creative"), Shenzhen Creative Eternal Well Science & Technology of Saving Development Co., Ltd ("Shenzhen Creative") and Fujian Creative New Era Control Technology Co., Ltd. ("Fujian New Era") as they sustained losses for taxation purposes.

**(iv) PRC business and value added taxes**

Fujian Traving and Hainan Creative are subject to PRC business tax at 5% of the revenue from provision of system design and integration and energy saving services. Beijing Creative is subject to PRC value added tax ("VAT") at 6% to 17% of the revenue from provision of system design and integration and energy saving services. Shenzhen Creative is subject to PRC VAT at 6% of the revenue from provision of system design and integration and energy saving services.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 11. TAXATION (continued)

- (b) The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to (loss)/profit of the consolidated companies as follows:

|  | <b>2007</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> |
|--|-------------|-------------|-------------|-------------|
|  | RMB'000     | RMB'000     | RMB'000     | RMB'000     |
| (Loss)/profit before taxation  | (189,536)   | (3,972)     | (49,692)    | 4,177       |
| Notional tax on (loss)/profit before taxation,<br>calculated at the applicable tax rates         | (33,169)    | (695)       | (8,696)     | 355         |
| Tax effect of reduced tax rates  | -           | -           | -           | (2,907)     |
| Tax effect of non-deductible expenses  | -           | -           | -           | 7           |
| Tax effect of non-taxable income   | -           | -           | -           | (6)         |
| Tax effect of unused tax losses not<br>recognised  | 33,169      | 695         | 8,696       | 2,875       |
| Decrease in opening net deferred tax<br>assets resulting from changes in<br>applicable tax rates | -           | -           | -           | 310         |
| Others   | -           | -           | -           | (10)        |
| Taxation charge  | -           | -           | -           | 624         |

## 12. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Losses of RMB4,894,000 for the year ended 30th June, 2005, RMB16,000 for the year ended 30th June, 2006 and nil balance for the year ended 30th June, 2007 (2004: RMB4,736,000) attributable to equity holders of the Company have been dealt with in the financial statements of the Company.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 13. (LOSS)/EARNINGS PER SHARE

### (a) Basic loss/earnings per share

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 of approximately RMB49,641,000, RMB3,972,000 and RMB189,536,000 respectively (2004: a profit of approximately RMB3,840,000) and the weighted average number of 440,000,000 (2004: 429,549,000) ordinary shares in issued in these years.

### (b) Diluted earnings per share

Diluted earnings per share for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 are not presented as the Liquidator was unable to gather sufficient evidence available in calculation of dilutive potential ordinary shares in existence during the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007.

The calculation of diluted earnings per share for the year ended 30th June, 2004 is based on the profit attributable to shareholders of approximately RMB3,840,000 and the weighted average number of 438,994,000 ordinary shares after adjusting for the effects of all dilutive potential ordinary shares under the Company's warrants.

## 14. PROPERTY, PLANT AND EQUIPMENT

No disclosure on the movements of the Group's property, plant and equipment in the financial statements for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 with net book value of approximately RMB3,258,000, RMB2,825,000 and RMB155,000 respectively (2004: RMB8,485,000) has been made as the Liquidator was unable to gather sufficient evidence on the movements of the Group's property, plant and equipment for these three years. Property, plant and equipment for these three years included leasehold improvements, furniture and equipment, motor vehicles, plant and machinery and construction in progress which are all carried at cost less accumulated depreciation and any accumulated impairment losses.

## 15. INTANGIBLE ASSETS

No disclosure on the movements of the Group's intangible assets in the financial statements for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 with net book values of approximately RMB5,825,000, RMB5,629,000 and nil balance respectively (2004: RMB19,671,000) has been made as the Liquidator was unable to gather sufficient evidence on the movements of the Group's intangible assets for these three years. Intangible assets for these three years represent energy saving technologies named "SAVIN 2000" and "New Era" which are all carried at cost less accumulated amortisation and any accumulated impairment losses. The amortisation charge for the year ended 30th June, 2004 was included in "other operating expenses" in the consolidated income statement.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 16. GOODWILL

|  | <b>Goodwill</b> |
|--|-----------------|
|  | RMB'000         |
| <hr/>  |                 |
| <b>Cost</b>  |                 |
| At 30th June, 2004, as previously report   | 57,974          |
| Effect of adopting HKFRS 3 ( <i>note 6</i> )   | (2,521)         |
| <hr/>  |                 |
| At 30th June, 2004, as restated, as at 30th June, 2005,<br>30th June, 2006 and 30th June, 2007 | 55,453          |
| <hr/>  |                 |
| Accumulated amortisation and impairment  |                 |
| At 30th June, 2004, as previously report   | 2,521           |
| Effect of adopting HKFRS 3 ( <i>note 6</i> )   | (2,521)         |
| <hr/>  |                 |
| At 30th June, 2004, as restated, as at 30th June, 2005 and 30th June, 2006                     | –               |
| Impairment during 2007 recognised in income statement  | 55,453          |
| <hr/>  |                 |
| At 30th June, 2007   | 55,453          |
| <hr/>  |                 |
| <b>Net book value</b>  |                 |
| At 30th June, 2007   | –               |
| <hr/>  |                 |
| At 30th June, 2004, 30th June, 2005 and 30th June, 2006  | 55,453          |
| <hr/>  |                 |

## 17. SUBSIDIARIES

In the opinion of the Liquidators, the consolidated financial statements of the Group for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 were prepared with the most updated and unaudited financial statements of the subsidiaries presented to them by individual management of the subsidiaries, other than Beijing Creative. During the financial year ended 30th June, 2007, impairment loss of HK\$187,600,000 (included goodwill, available-for-sale financial assets, intangible assets, trade and other receivable and inventories, etc.) has been made against the underlying assets held by the subsidiaries which the Group is no longer able to exercise effective control over them. The financial statements of Beijing Creative were audited by an audit firm other than Ting Ho Kwan & Chan.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 17. SUBSIDIARIES (continued)

Details of the subsidiaries as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 were as follows:

| Name  | Place of Incorporation/<br>operations | Particulars of issued capital/<br>registered capital | Proportion of ownership interest |                     |                        | Principal activities                              |
|---|---------------------------------------|--|----------------------------------|---------------------|------------------------|---|
|   |                                       |  | Group's effective interest       | Held by the Company | Held by the subsidiary |   |
| Bell Investment Holdings (H.K.) Limited   | British Virgin Islands/<br>Hong Kong  | 50,000 ordinary shares of US\$1 each                 | 100%                             | 100%                | –                      | Investment holding                                |
| Easy Union Holdings Limited   | British Virgin Islands/<br>Hong Kong  | 50,000 ordinary shares of US\$1 each                 | 100%                             | 100%                | –                      | Investment holding                                |
| Eternal Well Limited  | British Virgin Islands/<br>Hong Kong  | 50,000 ordinary shares of US\$1 each                 | 100%                             | 100%                | –                      | Investment holding                                |
| Wealth Field Investment Limited   | British Virgin Islands/<br>Hong Kong  | 50,000 ordinary shares of US\$1 each                 | 100%                             | 100%                | –                      | Investment holding                                |
| Rising Dragon International Limited   | British Virgin Islands/<br>Hong Kong  | 100 ordinary shares of US\$1 each                    | 100%                             | 100%                | –                      | Investment holding                                |
| Success Field Limited   | British Virgin Islands/<br>Hong Kong  | 50,000 ordinary shares of US\$1 each                 | 100%                             | 100%                | –                      | Investment holding                                |
| China Meijia Education Holdings Limited   | British Virgin Islands/<br>Hong Kong  | 50,000 ordinary shares of US\$24 each                | 75%                              | 75%                 | –                      | Investment holding                                |
| Creative New Era Technology Limited (Formerly known as Creative ECO-Energy Textile Machinery and Equipment Manufacturing Limited) | British Virgin Islands                | 50,000 ordinary shares of US\$1 each                 | 100%                             | –                   | 100%                   | Not yet commenced business                        |
| Creative Management (Hong Kong) Limited   | Hong Kong                             | 2 ordinary shares of HK\$1 each                      | 100%                             | 100%                | –                      | Provision of administrative services to the Group |

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 17. SUBSIDIARIES (continued)

Details of the subsidiaries as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 were as follows:  
(continued)

| Name  | Place of Incorporation/<br>operations | Particulars of issued capital/<br>registered capital  | Proportion of ownership interest |                     |                        | Principal activities   |
|---|---------------------------------------|---|----------------------------------|---------------------|------------------------|--|
|   |                                       |   | Group's effective interest       | Held by the Company | Held by the subsidiary |  |
| Creative ECO-Energy Investment Group Limited  | Hong Kong                             | 4,000,000 ordinary shares of HK\$1 each               | 100%                             | 100%                | –                      | Provision of energy efficiency solutions and engineering consulting services |
| Creative Energy (Asia) Limited  | Hong Kong                             | 500,000 ordinary shares of HK\$1 each                 | 60%                              | –                   | 60%                    | Provision of energy efficiency solutions and engineering consulting services |
| Fujian Traving Science & Technology of Saving Development Co., Ltd*<br>("Fujian Traving")   | The People's Republic of China        | HK\$15,000,000  | 100%                             | –                   | 100%                   | Provision of energy efficiency solutions and engineering consulting services |
| Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd*<br>("Beijing Creative")  | The People's Republic of China        | HK\$35,000,000  | 100%                             | –                   | 100%                   | Provision of energy efficiency solutions and engineering consulting services |
| Hainan Creative Easy Union Science & Technology of Saving Development Co., Ltd*<br>("Hainan Creative")  | The People's Republic of China        | HK\$1,000,000   | 100%                             | –                   | 100%                   | Provision of energy efficiency solutions and engineering consulting services |
| Shenzhen Creative Eternal Well Science & Technology of Saving Development Co., Ltd*<br>("Shenzhen Creative")  | The People's Republic of China        | HK\$10,000,000 (of which HK\$2,500,000 being paid up) | 100%                             | –                   | 100%                   | Provision of energy efficiency solutions and engineering consulting services |
| Fujian Creative New Era Control Technology Co., Ltd.* (Formerly known as Fujian Shenzhen Electron Information Technology Co., Ltd.)* ("Fujian New Era") | The People's Republic of China        | RMB10,000,000   | 75%                              | –                   | 75%                    | Provision of energy efficiency solutions and engineering consulting services |

\* Registered under the laws of the PRC as foreign investment enterprises



# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

|  | 2007<br>RMB'000 | 2006<br>RMB'000 | 2005<br>RMB'000 | 2004<br>RMB'000 |
|--|-----------------|-----------------|-----------------|-----------------|
| Unlisted equity securities, at cost        | 21,302          | 22,045          | 21,200          | –               |
| Addition during the year                   | –               | –               | 745             | –               |
| Impairment loss recognised during the year | (21,302)        |                 |                 |                 |
| Exchange differences                       | –               | (743)           | 100             | –               |
|  | –               | 21,302          | 22,045          | –               |

## 19. OTHER INVESTMENTS IN SECURITIES

|                                     | 2007<br>RMB'000 | 2006<br>RMB'000 | 2005<br>RMB'000 | 2004<br>RMB'000 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Investment securities               |                 |                 |                 |                 |
| Unlisted equity securities, at cost | –               | –               | –               | 21,200*         |
| Loan to the investee company        | –               | –               | –               | 4,254           |
|                                     | –               | –               | –               | 25,454          |

\* Reclassified as available-for-sale financial assets per note 6 since adoption of HKAS 39 on 1st July, 2004.

The loan to the investee company was unsecured, non-interest bearing and had no fixed terms of repayment.

## 20. TRADE RECEIVABLES

At 30th June, 2005, 30th June, 2006 and 30th June, 2007, the trade receivables were recoverable as follows:

|   | 2007<br>RMB'000 | 2006<br>RMB'000 | 2005<br>RMB'000 | 2004<br>RMB'000 |
|---|-----------------|-----------------|-----------------|-----------------|
| Within one year   | 7,616           | 5,861           | 7,748           | 37,360          |
| After one year but within five years                    | –               | 39,788          | 39,848          | 12,675          |
| After five years  | –               | –               | –               | 392             |
|   | 7,616           | 45,649          | 47,596          | 50,427          |
| Less: General provision                                 | 2,521           | 2,521           | 2,521           | 2,521           |
|   | 5,095           | 43,128          | 45,075          | 47,906          |
| Less: Current portion of trade receivables<br>(note 23) | 5,095           | 5,861           | 7,748           | 37,360          |
| Non-current portion                                     | –               | 37,267          | 37,327          | 10,546          |

In the absence of sufficient supporting documents and explanations, the terms and forms of the non-current portion of trade receivables are unable to be disclosed.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 21. INVENTORIES

|                    | 2007    | 2006    | 2005    | 2004    |
|--------------------|---------|---------|---------|---------|
|                    | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Consumables stores | 884     | 9,386   | 7,717   | 480     |

The carrying amounts of inventories were carried at net realisable value at 30th June, 2005, 30th June, 2006 and 30th June, 2007.

## 22. WORK IN PROGRESS

Work in progress represents the amount of contract cost incurred. All the amounts are expected to be recovered within one year.

## 23. TRADE AND OTHER RECEIVABLES

|  | 2007    | 2006    | 2005    | 2004    |
|--|---------|---------|---------|---------|
|  | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Rental and other deposits              | –       | 365     | 378     | 1,385   |
| Trade receivables ( <i>note 20</i> )   | 5,095   | 5,861   | 7,748   | 37,360  |
| Loan receivable                        | –       | –       | –       | 4,558   |
| Amounts due from minority shareholders | –       | –       | –       | 3,758   |
| Other receivables                      | 35,169  | 75,724  | 74,718  | 331     |
| Value added tax prepaid                | –       | –       | –       | 62      |
| Prepayments                            | 39      | 192     | 210     | 790     |
|  | 40,303  | 82,142  | 83,054  | 48,244  |

Amounts due from minority shareholders were unsecured, non-interest bearing and had no fixed terms of repayment.

Loan receivable was secured by 51% equity interest in unlisted equity securities of the borrower, borne interest at 3% per annum and had no fixed terms of repayment.

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered within one year.

Significant amounts of unreconciled inter-company balances are included in trade and other receivables. Also, the balances are subjected to further impairment loss to be made as the basis of impairment has not been determined yet.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 24. PLEDGED BANK DEPOSITS

As at 30th June, 2005, 30th June, 2006 and 30th June, 2007, pledged bank deposits and cash and cash equivalents of the Group denominated in Hong Kong dollar ("HKD") amounted to approximately RMB12,411,000, RMB11,993,000 and nil balance respectively (2004: RMB10,655,000) and there are no pledged bank deposit and cash and cash equivalents denominated in RMB at 30th June, 2005, 30th June, 2006 and 30th June, 2007 (2004: RMB17,210,000).

## 25. TRADE AND OTHER PAYABLES

|                             | 2007<br>RMB'000 | 2006<br>RMB'000 | 2005<br>RMB'000 | 2004<br>RMB'000 |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|
| Trade payables              | 6,493           | 6,345           | 5,772           | 1,156           |
| Receipts in advance         | 7,999           | 5,359           | 3,936           | 1,219           |
| Finance costs payables      | 1,218           | 1,286           | 1,331           | 1,157           |
| Other payables and accruals | 22,386          | 20,171          | 16,735          | 4,572           |
| Other tax payables          | 3               | 3               | 3               | 281             |
| Amount due to a director    | 980             | 1,035           | 1,071           | –               |
|                             | 39,079          | 34,199          | 28,848          | 8,385           |

Amount due to a director is unsecured, non-interest bearing and has no fixed terms of repayment.

All of the trade and other payables are expected to be settled within one year.

## 26. BANK LOANS AND OVERDRAFTS

At 30th June, 2005, 30th June, 2006 and 30th June, 2007, the analysis of bank loans and overdraft was as follows:

|                    | 2007<br>RMB'000 | 2006<br>RMB'000 | 2005<br>RMB'000 | 2004<br>RMB'000 |
|--------------------|-----------------|-----------------|-----------------|-----------------|
| Bank overdrafts    |                 |                 |                 |                 |
| – Secured          | 5,487           | 5,798           | 6,000           | 5,270           |
| Secured bank loans | 25,220          | 26,565          | 28,088          | 43,960          |
|                    | 30,707          | 32,363          | 34,088          | 49,230          |

The loan facilities of certain subsidiaries are secured by bank deposits with an aggregate carrying amounts of approximately RMB12,411,000, RMB11,993,000 and nil balance at 30th June, 2005, 30th June, 2006 and 30th June, 2007 respectively (2004: RMB27,865,000) and corporate guarantee given by the Company.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 27. DEFERRED TAXATION

At the balance sheet date, the Group has not recognised deferred tax assets in respect of tax losses of approximately RMB58,574,000, RMB62,546,000 and RMB252,082,000 for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 respectively (2004: RMB8,882,000) as it is not probable that taxable profits will be available against which the tax losses can be utilised. The tax losses do not expire under current tax legislation.

The Group has no significant potential deferred tax liabilities for the years and at the balance sheet date.

## 28. COUPON BONDS

The 2.5% coupons bonds (the "Bonds") with warrants attached, having an aggregate principal amount of US\$4,500,000 (equivalents to approximately RMB37,206,000), were issued on 1st November, 2002 and will mature on 1st November, 2007. Each bond is in the denomination of US\$10,000 with a warrant attached. The Bonds bear interest at the coupon rate of 2.5% per annum, payable annually in arrears on 1st November, each year. Although during the year ended 30th June, 2005, the principal amount of US\$340,000 (equivalents to approximately RMB2,685,000) of the Bonds seemed to have been redeemed at par, however, due to the absence of sufficient information regarding to this redemption, we are unable to ascertain how the Bonds were redeemed during 2005. As at 30th June, 2005, 30th June, 2006 and 30th June, 2007, according to the books and records of the Company, the Bonds were repayable as follows:

|                                       | 2007    | 2006    | 2005    | 2004    |
|---------------------------------------|---------|---------|---------|---------|
|                                       | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Within 1 year                         | 24,766  | –       | –       | 7,441   |
| After 1 year but within 2 years       | –       | 26,168  | –       | 7,441   |
| After 2 years but within 5 years      | –       | –       | 27,080  | 14,883  |
|                                       | 24,766  | 26,168  | 27,080  | 29,765  |
| Less: Current portion of coupon bonds | 24,766  | –       | –       | 7,441   |
| Non-current portion                   | –       | 26,168  | 27,080  | 22,324  |

The Company may redeem all or part of the Bonds at any time at par.

Further details of the redemption of the Bonds are set out in the announcement dated 30th August, 2002 and dated 18th November, 2002 issued by the Company.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 29. SHARE CAPITAL

|   | 2007             |         | 2006             |         | 2005             |         | 2004             |         |
|---|------------------|---------|------------------|---------|------------------|---------|------------------|---------|
|   | Number           | Amount  | Number           | Amount  | Number           | Amount  | Number           | Amount  |
|   | of share<br>'000 | RMB'000 | of share<br>'000 | RMB'000 | of share<br>'000 | RMB'000 | of share<br>'000 | RMB'000 |
| <i>Authorised:</i>  |                  |         |                  |         |                  |         |                  |         |
| Ordinary shares of HK\$0.10<br>(equivalent to approximately<br>RMB0.106 each) | 1,000,000        | 106,000 | 1,000,000        | 106,000 | 1,000,000        | 106,000 | 1,000,000        | 106,000 |
| <i>Issued and fully paid:</i>   |                  |         |                  |         |                  |         |                  |         |
| Ordinary shares of HK\$0.10<br>(equivalent to approximately<br>RMB0.106 each) |                  |         |                  |         |                  |         |                  |         |
| At 1st July   | 440,000          | 46,640  | 440,000          | 46,640  | 440,000          | 46,640  | 415,000          | 43,990  |
| Issue of shares under a private<br>placement ( <i>Note</i> )                  | -                | -       | -                | -       | -                | -       | 25,000           | 2,650   |
| At 30th June  | 440,000          | 46,640  | 440,000          | 46,640  | 440,000          | 46,640  | 440,000          | 46,640  |

*Note:*

On 19th November, 2003, Mr. SHUM Fong Chung ("Mr. Shum"), a director and a substantial shareholder of the Company, entered into a placing agreement with a placing agent and a subscription agreement with the Company, under which Mr. SHUM placed 25,000,000 ordinary shares of the Company at a price of HK\$0.25 (equivalent to approximately RMB0.265) per ordinary share and subscribed for 25,000,000 ordinary shares of the Company at a price of HK\$0.25 (equivalent to approximately RMB0.265) per ordinary share. The net proceeds of approximately HK\$5,997,000 (equivalent to approximately RMB6,357,000) were used for the expansion of the Group's business.

## 30. WARRANTS

The Company issued the coupon bonds (*see note 28*) with warrants attached. The holders of warrants (the "Warrantholders") can exercise the subscription rights attaching to the warrants, in whole or in part, at any time from 1st November, 2002 to 1st November, 2007 (both days inclusive) to subscribe for the shares of the Company ("Subscription Shares") by either (i) delivering the bonds, so long as the bonds are not redeemed or (ii) paying the amount for the subscription, at an exercise price subject to adjustment ("Subscription Price").

The number of Subscription Shares to which a Warrantholder will be entitled for each warrant will be calculated by dividing the nominal amount of US\$10,000 by the Subscription Price. Further details of the warrants are set out in the announcement dated 30th August, 2002 and dated 18th November, 2002 issued by the Company.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 30. WARRANTS (continued)

- (a) No movements in warrants for the years ended 30th June, 2004, 30th June, 2005, 30th June, 2006 and 30th June, 2007.
- (b) Terms of unexpired and unexercised warrants at balance sheet date:

| Date of grant      | Exercise period                            | Number of Warrants |      |      |      |
|--------------------|--|--------------------|------|------|------|
|                    |  | 2007               | 2006 | 2005 | 2004 |
| 1st November, 2002 | 1st November, 2002 –<br>1st November, 2007 | 450                | 450  | 450  | 450  |

## 31. OTHER RESERVES

|                                       | Merger<br>reserve<br>(note (i))<br>RMB'000 | General<br>reserve fund<br>(note (ii))<br>RMB'000 | Enterprise<br>expansion<br>reserve fund<br>(note (iii))<br>RMB'000 | Translation<br>reserve<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------|--|---|--|-----------------------------------|------------------|
| At 1st July, 2003                     | 10,440                                     | 6,588   | 12,635   | –                                 | 29,663           |
| Transfer from retained profits        | –  | 334   | 2,291  | –                                 | 2,625            |
| At 30th June, 2004 and 1st July, 2004 | 10,440                                     | 6,922   | 14,926   | –                                 | 32,288           |
| Currency translation differences      | –  | –   | –  | 104                               | 104              |
| At 30th June, 2005 and 1st July, 2005 | 10,440                                     | 6,922   | 14,926   | 104                               | 32,392           |
| Currency translation differences      | –  | –   | –  | (553)                             | (553)            |
| At 30th June, 2006 and 1st July, 2006 | 10,440                                     | 6,922   | 14,926   | (449)                             | 31,839           |
| Currency translation differences      | –  | –   | –  | (850)                             | (850)            |
| At 30th June, 2007                    | 10,440                                     | 6,922   | 14,926   | (1,299)                           | 30,989           |

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## 31. OTHER RESERVES *(continued)*

### *Notes*

- (i) The Company was incorporated in Bermuda on 29th August, 2001 under the Companies Act 1981 of Bermuda and, through a group reorganisation in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, became the holding company of the Group on 3rd January, 2002. The Group has been treated as a continuing entity and accordingly the consolidated financial statements for the year ended 30th June, 2002 were prepared on the basis that the Company was the holding company of the Group for the entire year, rather than from 3rd January, 2002. The merger reserve represents the excess value of the shares acquired over the nominal value of the shares issued in exchange.
- (ii) According to the relevant rules and regulations in the PRC, each of the PRC subsidiaries is required to appropriate 10% of its after-tax profit (after offsetting prior years' losses), based on the PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a general reserve fund until the balance of the fund reaches 50% of the PRC subsidiary's registered capital. Thereafter, any further appropriation can be made at the directors' discretion. The general reserve fund can be utilised to offset prior years' losses, or be utilised to increase the capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such increase.

The directors of Fujian Traving, Hainan Creative, Beijing Creative, Shenzhen Creative and Fujian New Era determined not to make any appropriation to the general reserve fund as these subsidiaries have sustained loss for the years ended 30th June, 2004, 30th June, 2005, 30th June, 2006 and 30th June, 2007.

- (iii) According to the relevant rules and regulations in the PRC and the PRC subsidiaries' articles of association. Each of the PRC subsidiaries may appropriate a portion of its after tax profit (after offsetting prior years' losses), based on the statutory financial statements of the PRC subsidiary, to an enterprise expansion reserve fund. Such appropriations are determined at the discretion of the directors.

The directors of Fujian Traving, Hainan Creative, Beijing Creative, Shenzhen Creative and Fujian New Era determined not to make any appropriation to the enterprise expansion reserve fund as those subsidiaries have sustained loss for the years ended 30th June, 2004, 30th June, 2005, 30th June, 2006 and 30th June, 2007.

## 32. EMPLOYEE RETIREMENT BENEFITS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contributed retirement scheme administered by an independent approved MPF trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$20,000. Contributions to the MPF Scheme vest immediately.

# Notes to the Financial Statements

For the years ended 30th June, 2005, 30th June, 2006 & 30th June, 2007

## **32. EMPLOYEE RETIREMENT BENEFITS *(continued)***

The Company's subsidiaries established in the PRC participate in a mandatory central pension scheme organised by the PRC government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to the income statement as they became payable, in accordance with the rules of the scheme. The employers' contributions vest fully once they are made. Under the above scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the actual contributions.

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and the PRC. In the opinion of the directors of the Company, the Group did not have any significant contingent liabilities as at 30th June, 2005, 30th June, 2006 and 30th June, 2007 in respect of the retirement of its employees.

## **33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2007**

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the years ended 30th June, 2005, 30th June, 2006 and 30th June, 2007 and which have not been early adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position.



# Five Year Summary

As at 30th June, 2005, 30th June, 2006 & 30th June, 2007

|  | Years ended 30th June |              |               |            |            |             |            |
|--|-----------------------|--------------|---------------|------------|------------|-------------|------------|
|  | 2007                  | 2006         | 2005          | 2004       | 2003       | 2002        | 2001       |
|  | RMB'000               | RMB'000      | RMB'000       | RMB'000    | RMB'000    | RMB'000     | RMB'000    |
| <b>Results</b>                         |                       |              |               |            |            |             |            |
| Turnover                               | 2,643                 | 4,449        | 29,897        | 59,505     | 97,134     | 117,599     | 31,899     |
| (Loss)/Profit from operations          | (188,234)             | (2,821)      | (45,941)      | 6,525      | 27,311     | 49,407      | 16,933     |
| Finance costs                          | (1,302)               | (1,151)      | (3,751)       | (2,348)    | (4,229)    | (130)       | (193)      |
| (Loss)/Profit from ordinary activities |                       |              |               |            |            |             |            |
| before taxation                        | (189,536)             | (3,972)      | (49,692)      | 4,177      | 23,082     | 49,277      | 16,740     |
| Taxation                               | -                     | -            | -             | (624)      | (469)      | (1,450)     | -          |
| (Loss)/Profit from ordinary activities |                       |              |               |            |            |             |            |
| after taxation                         | (189,536)             | (3,972)      | (49,692)      | 3,553      | 22,613     | 47,827      | 16,740     |
| Minority Interests                     | -                     | -            | 51            | 287        | -          | -           | -          |
| (Loss)/Profit attributable to          |                       |              |               |            |            |             |            |
| shareholders                           | (189,536)             | (3,972)      | (49,641)      | 3,840      | 22,613     | 47,827      | 16,740     |
| Dividend                               | -                     | -            | -             | -          | -          | 9,678       | -          |
| (Loss)/Earnings per share              |                       |              |               |            |            |             |            |
| - Basic                                | (43.08) cents         | (0.90) cents | (11.28) cents | 0.89 cents | 5.45 cents | 13.74 cents | 5.58 cents |
| - Diluted                              | N/A                   | N/A          | N/A           | 0.87 cents | N/A        | N/A         | N/A        |
| <b>Assets and liabilities</b>          |                       |              |               |            |            |             |            |
| Property, plant and equipment          | 155                   | 2,825        | 3,258         | 8,485      | 9,341      | 7,380       | 6,299      |
| Other non-current assets               | -                     | 119,651      | 120,650       | 111,124    | 61,929     | 58,910      | 13,150     |
| Net current (liabilities)/assets       | (52,923)              | 41,310       | 45,315        | 94,446     | 138,229    | 100,509     | 8,753      |
| Non-current liabilities                | -                     | (26,168)     | (27,080)      | (22,324)   | (29,765)   | -           | -          |
| Minority interests                     | (1,749)               | (1,749)      | (1,749)       | (1,800)    | -          | -           | -          |
| Net (liabilities)/assets               | (54,517)              | 135,869      | 140,394       | 189,931    | 179,734    | 166,799     | 28,202     |
| Share capital                          | 46,640                | 46,640       | 46,640        | 46,640     | 43,990     | 43,990      | 10,959     |
| Reserves                               | (101,157)             | 89,229       | 93,754        | 143,291    | 135,744    | 122,809     | 17,243     |
|  | (54,517)              | 135,869      | 140,394       | 189,931    | 179,734    | 166,799     | 28,202     |