

ANNUAL REPORT 2008



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(In Liquidation)

(Stock Code: 8109)

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

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*This report, for which the 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.*

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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

SHI Jian Hui
TO Sin Ning

COMPANY SECRETARY

CHOW Wai Shing Daniel (*appointed on 23rd April, 2010*)

COMPLIANCE OFFICER

SHUM Fong Chung

QUALIFIED ACCOUNTANT

LAM Yau Yiu (*appointed on 1st December, 2005 and resigned on 9th June, 2006*)

AUDIT COMMITTEE

SHI Jian Hui
TO Sin Ning

AUTHORISED REPRESENTATIVES

SHUM Fong Chung

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 24th September, 2009*)
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 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.
Room 406, Block 1, No. 21,
North Xi San Huan Road,
Haidian District,
Beijing,
PRC

GEM STOCK CODE

8109

COMPANY WEBSITE

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.

To the best knowledge of and the information available to 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 Existing 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 year ended 30th June, 2008. 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 year ended 30th June, 2008 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 year ended 30th June, 2008.

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, 2008 are set out in note 17 to the financial statements.

FINANCIAL RESULTS

For the year ended 30th June, 2008, the Group’s turnover was approximately RMB11.96 million (2007: RMB2.64 million), representing an increase of approximately 353.03% from the year ended 30th June, 2007. Respective state of affairs of the Group is set out in the financial statements on page 26 to 28.

The consolidated loss attributable to shareholders of the Company amounted to approximately RMB15.34 million for the year ended 30th June, 2008 (2007: loss of approximately RMB189.54 million). Basic loss per share was approximately RMB3.49 cents for the year ended 30th June, 2008 (2007: loss of approximately RMB43.08 cents).

Report of the Liquidators and the Directors

DIVIDENDS

No dividend has been paid or declared by the Company during the year ended 30th June, 2008 (2007: Nil).

BUSINESS REVIEW

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 Liquidators were appointed on 3rd May, 2007 pursuant to an Order of the High Court. As such, the Liquidators do not have the same knowledge of the financial affairs of the Group as the board would have, particularly in relation to the transactions entered into by the Group prior to the appointment of the Liquidators.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash as at 30th June, 2008 was approximately RMB0.94 million (2007: RMB0.18 million). The Group's gearing ratio for the year ended 30th June, 2008 was not applicable as the Group had shareholders' deficit during the year (2007: N/A). 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 25 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 and the same was further revised and submitted to the Listing Committee on 2nd February, 2009.

On 6th February, 2009, the GEM Listing Committee confirmed in writing that the Company was allowed to proceed with the resumption proposal 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 conditions (vi) and (vii).

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 had conducted investigation on the ownership of the shares and reported to the relevant regulators.

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.

On 30th January, 2010, a further special general meeting of the Company was convened and 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") on 30th January, 2010.

Report of the Liquidators and the Directors

On 23rd April, 2010, a restructuring committee (the "Restructuring Committee") has been set up to deal with and approve any matters in relation to the Restructuring Proposal, as reasonably and necessarily required by the Directors, including but not limited to, the approval and publication of financial statements, the approval of relevant legal documents, convening meetings and the publication of circulars to the Shareholders and scheme documents to the Creditors on behalf of the Company. The Restructuring Committee consists of four members comprising the New Directors, being the executive Directors. Mr. Chow Wai Shing Daniel is the chairman of the Restructuring Committee. The formation of the Restructuring Committee has been approved by the Board.

On 23rd April, 2010, Mr. Chow Wai Shing Daniel has been appointed as a secretary of the Company.

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 a proposed Hong Kong and Bermuda schemes of arrangement. Accordingly, the Company's shares are expected to resume trading on the Stock Exchange.

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.

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 year ended 30th June, 2008 no warrant was exercised by the warrant-holders.

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 year ended 30th June, 2008 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, 2008

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 year ended 30th June, 2008 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 year ended 30th June, 2008 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 and the Directors 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 analysis of pledge of assets;
- 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 62. This summary does not form part of the audited financial statements.

Report of the Liquidators and the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

BANK LOANS AND OVERDRAFTS

Details of movement in the bank loans and overdrafts of the Group during the year are set out in note 23 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 25 to the financial statements.

Report of the Liquidators and the Directors

RESERVES

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

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 year ended 30th June, 2008.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes for the year ended 30th June, 2008 are set out in note 32 to the financial statements.

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Liquidators and the Directors are unaware of any material related party transactions (defined under HKAS 24), connected transactions and continuing connected transactions (defined under the GEM Listing Rules) entered during the year ended 30th June, 2008.

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

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, 2008, 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			Total number of shares held	Percentage of total Issued shares
	Personal interests	Corporate interests			
Mr. Shum Fong Chung (<i>Note</i>)	247,128,000	–		247,128,000	56.17%

Note: To the best knowledge of the Liquidators, 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 (HK\$)	Exercise period	Number of shares in respect of options outstanding as at 30th June, 2005
Director				
Ms. Lin Rong Ying	04/04/2003	0.30	<i>Note</i>	1,200,000
Senior Management				
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, 2008, 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 of the knowledge of the Liquidators and the Directors, having made all reasonable enquiries, as at 30th June, 2008, the following persons (other than the directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect such issued capital required to be recorded 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	
As at 30th June, 2008				
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%

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, to the best of the knowledge of the Liquidators and the Directors, having made all reasonable enquiries, as at 30th June, 2008, no other person, other than the directors and chief executive of the Company, had an interest or a short position in the shares and underlying shares of the Company which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or was directly or indirectly interested in 10% or more of the nominal value of any class of issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such issued capital required to be recorded 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 are unaware of 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 year ended 30th June, 2008, 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 year ended 30th June, 2008.

MANAGEMENT CONTRACT

The Liquidators and the Directors are unaware of 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

The Company's code on corporate governance practices was adopted by reference to the provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 of the GEM Listing Rules. However, due to the severe financial difficulties of the Group and the prolonged suspension in trading of the shares of the Company on the Stock Exchange, the Liquidators and the Directors are unable to comment as to whether the Company has complied with the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the years ended 30th June, 2008.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Trading in the securities of the Company has been suspended since 30th September, 2005 and the Liquidators and the Directors are of the opinion that since the date of securities trading suspension, 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, 2008 is not applicable.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 2 and 3 to the financial statements.

AUDITORS

The financial statements for the year ended 30th June, 2008 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 36, 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, a Certified Fraud Examiner in the United States, an Associate of the Taxation Institute of Hong Kong, the Institute of Chartered Secretaries and Administrators in 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 SHAREHOLDERS OF CREATIVE ENERGY SOLUTIONS HOLDINGS LIMITED

(In Liquidation)

(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Creative Energy Solutions Holdings Limited (In Liquidation) (the "Company") set out on pages 26 to 61, which comprise the consolidated balance sheet as at 30th June, 2008, the consolidated income statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

NEW DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The new directors (appointed on 30th January, 2010) are responsible for the preparation and the true and fair presentation 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. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of 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, as a body, in accordance with the agreed terms of the engagement, 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 the scope of our work as 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. Comparative figures

The comparative figures in the current year's financial statements are derived from the financial statements for the year ended 30th June, 2007 which contained a disclaimer of opinion. We were unable to carry out audit procedures necessary to obtain adequate assurance on the preceding year's figures. Accordingly, we were unable to express an opinion on the comparative figures appearing in the current year's financial statements. We have not been able to ascertain whether the comparative figures will have any effect on the current year's balance sheet and income statement items.

2. Deconsolidation of subsidiaries

As further explained in Notes 3 (II) and 18 to the consolidated financial statements, certain subsidiaries were deemed disposed of by the Group due to the loss of control on 1st July, 2007 and a corresponding disposal gain, based on the net liability value of these subsidiaries and other financial information as at 30th June, 2007, of approximately RMB183,944,000 has been recognised in the consolidated income statement. The new directors are of the view that the investments in and amounts due from those deconsolidated subsidiaries of approximately RMB120,053,000 and RMB68,765,000 respectively cannot be recovered and, accordingly, impairment losses of the same amounts have been recognised in the consolidated income statement.

No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of these subsidiaries on 1st July, 2007. Due to the lack of complete books and records of these former subsidiaries, we have not been able to obtain sufficient appropriate audit evidence to assess (i) the net liability value of these former subsidiaries at 30th June, 2007 and, hence, the gain on deemed disposal arising therefrom; and (ii) the carrying value of and the balances with these former subsidiaries at 30th June, 2008 and, hence, the impairment losses arising therefrom. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Group as at 30th June, 2008 and loss attributable to the equity holders for the year then ended.

3. Provision for financial guarantees to a deconsolidated subsidiary

As further explained in Note 28 to the consolidated financial statements, as at 30th June, 2008, the Group had made provision for financial guarantees to an unconsolidated subsidiary, Creative ECO-Energy Investment Group Limited including related accrued interest, of approximately RMB6,874,000. Since confirmations of such balances have not been received from the respective creditors, we have not been able to assess the accuracy and completeness of the above liabilities. There are no other satisfactory alternative procedures that we could perform to satisfy ourselves that this balance and the related disclosures have been properly recorded and reflected in the consolidated financial statements as at 30th June, 2008.

Independent Auditor's Report

4. Share options and warrants

We were unable to obtain documentation to support the details of the share options and warrants as at 30th June, 2008. Accordingly, there are no required accountancy treatment and disclosure about the share option scheme being made in the financial statements. This is not in accordance with the requirements of HKFRS 2 "Share-Based Payment" and HKAS 39 "Financial Instruments: Recognition and Measurement" in accounting for share options and warrants.

5. Cash flow statement

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 loss for the year ended 30th June, 2008. It is not practicable to quantify the effect of the departure from these requirements.

6. Departure from the Hong Kong Financial Reporting Standards ("HKFRSs") and non-compliance with statutory disclosure requirements

Because certain accounting records could not be located, the following required disclosures have not been made in the financial statements:

- i. Details of the Group's policy in respect of the financial risk management as required by HKFRS 7 "Financial Instruments: Disclosures" issued by the HKICPA;
- ii. Details of related parties transactions as required by Chapter 14 and/or Chapter 14A of the Listing Rules and HKAS 24 "Related Party Disclosures" issued by the HKICPA;
- iii. Information about the extent and nature of the financial instruments as required by HKFRS 7 "Financial Instruments: Disclosures" issued by the HKICPA;
- iv. Details of the Group's ageing of debtors and creditors as required by the Listing Rules;
- v. Details of analysis of pledge of assets as required by the Hong Kong Companies Ordinance;
- vi. Information of deferred taxation and taxation charge reconciliation as required by HKAS 12 "Income Taxes" issued by the HKICPA;
- vii. Details of directors' and employees' emoluments as required by the Listing Rules and the Hong Kong Companies Ordinance;

Independent Auditor's Report

- viii. Segment information disclosures as required by HKAS 14 "Segment Reporting";
- ix. Details of the disclosure on the movements of the Group's property, plant and equipment as required by HKAS 1: "Presentation of Financial Statements"; and
- x. Details of employee retirement benefits as required by HKAS 19 "Employee Benefits".

7. Coupon bonds

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of the coupon bonds totaling approximately RMB22,356,000 as at 30th June, 2008 in the consolidated balance sheet.

8. Trade and other receivables

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of trade receivables and other receivables totaling approximately RMB5,882,000 and RMB32,070,000 respectively as included in note 21 to the consolidated financial statements.

Allowance for impairment of approximately RMB25,937,000 was made as at 30th June, 2008. It was not possible for us to obtain sufficient evidence and explanation in relation to the total amount of allowance for impairment made against the amount of trade and other receivables as at 30th June, 2008. Therefore, we are unable to comment on whether the amount of allowance made is adequate.

9. Trade and other payables

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of trade payables and other payables and accruals totaling approximately RMB3,167,000 and RMB12,238,000 respectively as included in note 22 to the consolidated financial statements.

10. Amounts due to deconsolidated subsidiaries

No direct confirmation and other sufficient evidence have been received by us up to the date of this report in respect of amounts due to deconsolidated subsidiaries totaling approximately RMB48,427,000 included in note 22 to the consolidated financial statements.

Independent Auditor's Report

11. Unsecured bank loans

No bank confirmation letters have been received by us up to the date of this report in respect of bank loans approximately RMB13,091,000 as included in the consolidated balance sheet. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves that the financial statements contain the full disclosure of all the information pertaining to these bank accounts such as contingent liabilities and pledge of assets, etc.

12. Finance costs

Finance costs for the amounts approximately RMB1,299,000 recorded in the consolidated income statement were not properly supported by relevant documentation therefore we were unable to satisfy ourselves as to whether these amounts are fairly stated in the financial statements.

13. Available-for-sale financial assets

As disclosed in note 19 to the consolidated financial statements, full allowance has been made against the investment in the available-for-sale financial assets which was brought forward from 30th June, 2007. No financial information of this investee company have been received by us up to the date of this report. In the absence of all necessary information from the investee company, we have not been able to perform audit procedures that we considered necessary to satisfy ourselves as to the carrying amount of the investee company as at 30th June, 2008.

Fundamental uncertainty related to the going concern basis

In forming our opinion, we have considered the adequacy of the disclosure in note 3(l) 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(l) to the financial statements, the Company entered into the Restructuring Agreement and the Subscription Agreement for the implementation of the Restructuring Proposal with the Liquidators and the Investors. The financial statements have been prepared on the basis that the Restructuring Proposal of the Company will be successfully implemented and the Group will be able to improve the financial position and business upon the completion of restructuring. 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 we were not able to determine whether the going concern basis used in preparing these financial statements is appropriate due to the significant uncertainties relating to the outcome of the restructuring proposal. Accordingly, we have disclaimed our opinion.

Independent Auditor's Report

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance 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, 2008 and of the loss of the Group for the year 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.

TING HO KWAN & CHAN

Certified Public Accountants (Practising)

Hong Kong, 3rd May, 2010

Consolidated Income Statement

For the year ended 30th June, 2008

	<i>Notes</i>	2008 RMB'000	2007 RMB'000
Turnover	8	11,956	2,643
Cost of services		(11,550)	(1,962)
Gross profit		406	681
Other income and gains, net	9	1,290	810
Distribution costs		(253)	(1,191)
Administrative expenses		(1,586)	(755)
Other operating expenses		(64)	(179)
Inventories written off		(2,088)	–
Impairment loss on assets		–	(187,600)
Provision for financial guarantees to a deconsolidated subsidiary		(6,874)	–
Loss on deconsolidation of subsidiaries, net	18	(4,874)	–
Loss from operations		(14,043)	(188,234)
Finance costs	10	(1,299)	(1,302)
Loss before taxation		(15,342)	(189,536)
Taxation	11	–	–
Loss for the year	12	(15,342)	(189,536)
Attributable to:			
Equity holders of the Company		(15,342)	(189,536)
Minority interests		–	–
		(15,342)	(189,536)
Loss per share			
Basic	14(a)	(3.49) cents	(43.08) cents

The notes on pages 29 to 61 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30th June, 2008

	<i>Notes</i>	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	91	155
Goodwill	16	–	–
Available-for-sale financial assets	19	–	–
		91	155
CURRENT ASSETS			
Inventories	20	866	3,212
Trade and other receivables	21	12,040	40,303
Cash and cash equivalents		944	179
		13,850	43,694
CURRENT LIABILITIES			
Trade and other payables	22	64,749	39,366
Provision for financial guarantees to a deconsolidated subsidiary	28	6,874	–
Bills payable		–	1,778
Bank loans and overdrafts	23	13,091	30,707
Coupon bonds	24	22,356	24,766
		107,070	96,617
NET CURRENT LIABILITIES		(93,220)	(52,923)
NET LIABILITIES		(93,129)	(52,768)
CAPITAL AND RESERVES			
Share capital	25	46,640	46,640
Reserves		(139,769)	(101,157)
Total equity attributable to equity holders of the Company		(93,129)	(54,517)
Minority interests		–	1,749
TOTAL EQUITY		(93,129)	(52,768)

The financial statements were approved and authorised for issue by the Board of directors on 3rd May, 2010.

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

The notes on pages 29 to 61 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30th June, 2008

	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Other reserves (note 27) RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000	Minority interests RMB'000	Total RMB'000
Balance at 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)
Loss for the year	-	-	-	(15,342)	(15,342)	-	(15,342)
Deconsolidation of subsidiaries	-	-	(27,127)	-	(27,127)	(1,749)	(28,876)
Currency translation differences	-	-	3,857	-	3,857	-	3,857
Balance at 30th June, 2008	46,640	51,006	7,719	(198,494)	(93,129)	-	(93,129)

The notes on pages 29 to 61 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 30th June, 2008

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, upon the appointment of the liquidators, the Board will no longer have the power to present a directors’ report or prepare the financial statements.

The new directors were only appointed on 30th January, 2010 and do not have the same detailed knowledge of the financial affairs of the Group as the former 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 new directors. The new directors have reviewed such books and records of the Company as were made available to them.

The new directors confirmed that the Company is no longer able to exercise effective control over the subsidiaries except as detailed in note 17 to the financial statements. The Group currently continues 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.

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.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

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 resumption proposal of the Company. As additional time is required for finalisation of the resumption proposal, the Relevant Parties entered into the first escrow supplemental agreement, the second escrow supplemental agreement and the third escrow supplemental agreement on 30th November, 2007, 31st May, 2008 and 15th December, 2008 respectively for the extension of the Agreement to 31st May, 2008, 30th November, 2008 and 31st May, 2009 respectively.

On 6th February, 2009, the GEM Listing Committee confirmed that the Company was allowed to proceed with the resumption proposal dated 2nd February, 2009, involving, among other things, the capital reorganisation of the share capital of the Company, the subscription of the new shares (the “Subscription”) by 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 certain conditions (the “Conditions”) on or before 5th August, 2009. As various negotiation and court processes had taken a fair amount of time, an application has been made to and approved by the Stock Exchange to extend the deadline for the fulfillment of the Conditions to 30th June, 2010.

3. BASIS OF PREPARATION

(I) Going concern

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. The Restructuring Proposal comprises the Capital Reorganisation, the Subscription, the Debt Restructuring and the Group Reorganisation. The principal elements of the Restructuring Proposal are as follows:

(i) Stage I Capital Reorganisation

The Company will implement capital reduction and share subdivision after passing of the requisite resolutions by the Independent Shareholders approving the Stage I Capital Reorganisation and compliance with the relevant legal procedures and requirements under all applicable laws and regulations but prior to the Subscription.

(a) Capital reduction

The nominal value of each issue share will be reduced from HK\$0.10 to HK\$0.001 by cancelling the paid-up capital to the extent of HK\$0.099 on each issued share and approximately HK\$43.56 million arising from such reduction will all be credited to the accumulated losses account of the Company.

Notes to the Financial Statements

For the year ended 30th June, 2008

3. BASIS OF PREPARATION *(continued)*

(I) Going concern *(continued)*

(i) Stage I Capital Reorganisation (continued)

(b) Share subdivision

Immediately following the capital reduction, each of the Company's existing authorised but unissued share of HK\$0.10 each will be subdivided into 100 unissued share of HK\$0.001 each. Accordingly, the authorised but unissued share capital will become HK\$99,560,000 comprising of 99,560,000,000 Adjusted Shares.

(ii) Stage II Capital Reorganisation

The Stage II Capital Reorganisation comprises the share consolidation which will become effective immediately after completion of the Subscription.

Share consolidation

Every 50 issued and unissued Adjusted Shares shall be consolidated into one New Share. Accordingly, 100,000,000,000 issued and unissued Adjusted Shares will be consolidated into 2,000,000,000 issued and unissued New Shares.

(iii) Subscription

Pursuant to the Subscription Agreement, immediately after the implementation of the Stage I Capital Reorganisation, the Investor will subscribe for 8,316,000,000 Adjusted Shares (equivalent to 166,320,000 New Shares upon completion of the Stage II Capital Reorganisation), representing approximately 94.5% of the total enlarged share capital of the Company, at a consideration of HK\$48.3 million with the subscription price of HK\$0.0058 per Adjusted Share.

An amount of HK\$2.7 million out of the subscription proceeds will then be transferred to the Scheme administrators for the creditors' settlement and the balance of the subscription proceeds will be used for working capital and investments of the Company.

Notes to the Financial Statements

For the year ended 30th June, 2008

3. BASIS OF PREPARATION *(continued)*

(I) Going concern *(continued)*

(iv) Debt Restructuring

It is proposed that all indebtedness of the Company will be restructured pursuant to the terms of the Restructuring Proposal and the Schemes. The indebtedness owing to the creditors will be discharged in full via the Schemes as follows:

- (a) a cash payment in the amount equivalent to 5% of the relevant indebtedness owed to the Creditors (which is approximately HK\$2.7 million based on the proof of debt received by the Liquidators up to the Latest Practicable Date), which is funded by the Company out of the proceeds of the Subscription;
- (b) the issuance of a total of 880,000 new shares to the creditors at nil consideration, credited as fully paid, representing approximately 0.5% of the enlarged issued share capital of the Company upon completion of the Restructuring Agreement; and
- (c) the transfer of all subsidiaries of the Company, except Beijing Creative, Easy Union Holdings Limited, Rising Dragon International Limited and Action Win Investments Limited, and all rights and benefits of the Company to pursue claims from third parties (collectively referred to "Other Assets") to the Scheme Administrators or its nominees for the benefit of the creditors under the Group Reorganisation.

(v) Group Reorganisation

Subject to the issue of the written closing notice by the Liquidators to the Investor upon fulfillment of the conditions precedent to the Restructuring Agreement, under the Group Reorganisation, the structure of the Group will be structured in the following manner:

- (a) the Company will set up Scheme Holdco as an investment holding company to hold the Other Assets;
- (b) the entire interest of the Other Assets will be disposed to Scheme Holdco in consideration of HK\$1; and
- (c) the entire interest of Scheme Holdco will be disposed to the Scheme Administrators or its nominee in consideration of HK\$1.

Notes to the Financial Statements

For the year ended 30th June, 2008

3. BASIS OF PREPARATION *(continued)*

(I) Going concern *(continued)*

(v) Group Reorganisation (continued)

The Scheme Administrators shall take steps as are appropriate, having regard to the potential costs of and benefit from such steps, to recover any amounts which may be realised from the Other Assets. As a result, the Other Assets will cease to be subsidiaries of the Company and their results will not be consolidated in the financial statements of the Group after completion of the Restructuring Agreement.

The completion of the above Restructuring Agreement is conditional upon the fulfillment of certain terms and conditions, details of which have been included in the announcement jointly issued by the Company and the Investor on 22nd September, 2009.

The new directors have prepared the financial statements on the basis that the Restructuring Proposal of the Company will be successfully implemented and that the Group will be able to improve its financial position and business upon completion of restructuring. As at the date of approval of the financial statements, the new directors are not aware of any circumstances or reasons that would likely affect the successful implementation of the Restructuring Proposal and the intention of the Investor. In light of the foregoing, the new directors opined that it is appropriate to prepare the financial statements on a going concern basis. The financial statements do not incorporate any adjustments for possible failure of the above Restructuring Proposal and the continuance of the Group as a going concern.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effect of these potential adjustments has not been incorporated in the financial statements.

Notes to the Financial Statements

For the year ended 30th June, 2008

3. BASIS OF PREPARATION *(continued)*

(II) Deconsolidation of subsidiaries and subsequent impairment of respective book values

The financial statements have been prepared based on the books and records currently maintained by the Company and its subsidiaries. However, due to the loss of contact with former senior management of certain subsidiaries and lack of relevant personnel support the new directors of the Company (the “new directors”), who are appointed on 30th January, 2010, considered that the control over the following subsidiaries has been lost from 1st July, 2007. The results, assets and liabilities and cash flows of these subsidiaries were deconsolidated from the financial statements of the Group with effect from 1st July, 2007.

Deconsolidated subsidiaries

Bell Investment Holdings (H.K.) Limited
Eternal Well Limited
Wealth Field Investment Limited
Success Field Limited
China Meijia Education Holdings Limited
Creative New Era Technological Limited
Creative Management (Hong Kong) Limited
Creative ECO – Energy Investment Group Limited
Creative Energy (Asia) Limited
Fujian Traving Science & Technology of Saving Development Co., Ltd.
Hainan Creative Easy Union Science & Technology of Saving Development Co., Ltd.
Shenzhen Creative Eternal Well Science & Technology of Saving Development Co., Ltd.
Fujian Creative New Era Control Technology Co., Ltd.

In the opinion of new directors, the consolidated financial statements as at and for the year ended 30th June, 2008 prepared on the aforementioned basis present more fairly the results and state of affairs of the Group as a whole in light of the lost of control of the aforesaid deconsolidated subsidiaries. Due to the lack of complete books and records of aforesaid deconsolidated subsidiaries, the deconsolidation from the consolidated financial statements of the Group only based on the net liability value of these subsidiaries and other financial information as at 30th June, 2007, resulting in a gain of RMB183,944,000 which is included in the consolidated income statement for the year ended 30th June, 2008. Moreover, as at 30th June, 2008, the investment in and amounts due from these deconsolidated subsidiaries of approximately RMB120,053,000 and RMB68,765,000 respectively are considered not recoverable and, accordingly, full impairment losses have been recognised in the consolidated financial statements.

Notes to the Financial Statements

For the year ended 30th June, 2008

3. BASIS OF PREPARATION *(continued)*

(II) Deconsolidation of subsidiaries and subsequent impairment of respective book values *(continued)*

Due to the significance of the operations of Creative ECO – Energy Investment Group Limited, Creative Energy (Asia) Limited, Fujian Traving Science & Technology of Saving Development Co., Ltd., Hainan Creative Easy Union Science & Technology of Saving Development Co., Ltd., Shenzhen Creative Eternal Well Science & Technology of Saving Development Co., Ltd. and Fujian Creative New Era Control Technology Co., Ltd., any changes to the status of those deconsolidated subsidiaries may have a significant consequential effect on the net liabilities of the Group as at 30th June, 2008 and the results of the Group for the year then ended.

(III) Departure from the Hong Kong Financial Reporting Standards (“HKFRSs”) and non-compliance with statutory disclosure requirements

Due to the left of the accounting staff responsible for maintaining the books and records of the Company, the new directors do not have sufficient information to compile the financial statements of the Group for the year ended 30th June, 2008 so as to comply with the HKFRSs. The following information are not disclosed in the said financial statements:

- (a) Information about the extent and nature of the financial instruments as required by HKFRS 7 “Financial Instruments: Disclosures” issued by the HKICPA;
- (b) Details of the Group’s policy in respect of the financial risk management as required by HKFRS 7 “Financial Instruments: Disclosures” issued by the HKICPA;
- (c) Details of related parties transactions as required by Chapter 14 and/or Chapter 14A of the Listing Rules and HKAS 24 “Related Party Disclosures” issued by the HKICPA;
- (d) Details of the Group’s ageing of debtors and creditors as required by the Listing Rules;
- (e) Details of analysis of pledge of assets as required by the Hong Kong Companies Ordinance;
- (f) Information of deferred taxation and taxation charge reconciliation as required by HKAS 12 “Income Taxes” issued by the HKICPA;
- (g) Details of directors’ and employees’ emoluments as required by the Listing Rules and the Hong Kong Companies Ordinance;
- (h) Segment information disclosures as required by HKAS 14 “Segment Reporting”;
- (i) Cash flow statement as required by HKAS 7 “Cash Flow Statements”;

Notes to the Financial Statements

For the year ended 30th June, 2008

3. BASIS OF PREPARATION *(continued)*

(III) Departure from the Hong Kong Financial Reporting Standards (“HKFRSs”) *(continued)*

- (j) Departure from HKFRS 2 “Share-Based Payment” in accounting for share options;
- (k) Details of the disclosure on the movements of the Group’s property, plant and equipment as required by HKAS 1: “Presentation of Financial Statements”;
- (l) Details of employee retirement benefits as required by HKAS 19 “Employee Benefits”; and
- (m) Departure from HKAS 39 “Financial Instruments: Recognition and Measurement” in accounting for warrants.

4. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The Group’s consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance except for those departures as mentioned in note 3(III).

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.

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

The HKICPA has issued certain new and revised HKFRS that are first effective or available for early adoption for the current accounting period of the Group. Note 6 provides information on any changes in accounting policies resulting from 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(a) Basis of consolidation *(continued)*

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 of the subsidiary 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 not held by the Group in the results and net assets of the Company's subsidiaries.

(b) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

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:

Furniture and fixtures	5 years
Motor vehicles	5 years

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

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(b) Property, plant and equipment *(continued)*

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.

The Group assesses at each balance sheet date whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognised in prior periods for an item may have decreased. If any such indication exists, the Group estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, or a reversal of impairment loss is recognised immediately in profit or loss.

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.

(c) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

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 is recognised immediately in profit or loss.

Internal and external sources of information are reviewed at each balance sheet date to identify indications that goodwill may be impaired. If any such indication exists, its recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in profit or loss whenever the carrying amount of goodwill, or the cash-generating unit to which it belongs, exceeds its recoverable amount. An impairment loss on goodwill is not reversed.

On disposal of a subsidiary during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(d) Financial assets

Regular purchases and sales of financial assets are recognised on the trade date when the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus, in the case of the investments other than trading securities, transaction costs. At each balance sheet date, the Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired, such as a significant or prolonged decline in the fair value of an investment in an equity investment below its cost. Financial assets other than investments in subsidiaries are further categorised into the following classifications for the measurement after initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

(ii) Available-for-sale-financial assets

Available-for-sale financial assets are stated in the balance sheet at fair value. Gain or loss on fair value changes of available-for-sale financial assets is recognised directly in equity in the fair value reserves, except for impairment losses and, in the case of monetary items such as debt securities, foreign exchange gains and losses which are recognised directly in profit or loss.

When the available-for-sale financial assets are derecognised, the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss. Where the available-for-sale financial assets are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss.

When a decline in the fair value of an available-for-sale financial assets has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial assets has not been derecognised.

The amount of the cumulative loss that is removed from equity and 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 financial assets previously recognised in profit or loss.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(d) Financial assets *(continued)*

(ii) Available-for-sale-financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instruments classified as available-for-sale are not reversed through profit or loss. Any subsequent increase in the fair value of such investment is recognised directly in equity. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. Impairment losses are written off against the corresponding investments directly.

Investments in unquoted equity instruments whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less any impairment losses. If there is objective evidence that an impairment loss has been incurred on such instrument, the amount of impairment loss is measured as the difference between its carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar instrument. Such impairment losses are not reversed.

(e) 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 year ended 30th June, 2008

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

(f) Trade and other receivables

Trade and other receivables are initially recognised at fair value and, after initial recognition, at amortised cost less any allowance for impairment of bad and doubtful debts, except for the following receivables:

- 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 allowance for impairment of 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 allowance for impairment of bad and doubtful debts.

At each balance sheet date, the Group assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

(g) 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.

(h) Trade and other payables

Trade and other payables are initially recognised 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.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(i) 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 and liabilities are not discounted.

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.

Deferred tax is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(j) 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.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(j) Employee benefits *(continued)*

(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

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.

(k) 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.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

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

(i) Financial guarantees issued (continued)

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(k)(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(k)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 5(k)(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.

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.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(l) 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:

Revenue from provision of energy saving services is recognised based on energy savings 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.

(m) 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. 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.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(m) Foreign currency translation *(continued)*

(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.

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.

(n) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

Notes to the Financial Statements

For the year ended 30th June, 2008

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

(o) Operating lease

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.

(p) Related parties

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

Notes to the Financial Statements

For the year ended 30th June, 2008

6. THE ADOPTION OF NEW AND REVISED HKFRS

The HKICPA has issued certain new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group.

HKAS 1 (Amendments)	Capital disclosures
HKFRS 7	Financial Instruments: Disclosures
HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirement and their Interaction

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.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, “Financial Instruments: Disclosures” and the amendments to HKAS 1, “Presentation of financial statements: Capital disclosures”, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, “Financial Instruments: Disclosure and presentation”.

The amendments to HKAS 1 introduce additional disclosure requirements to provide information about the level of capital and the Group’s objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendments to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective for the current accounting period (*see note 34*).

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.

Notes to the Financial Statements

For the year ended 30th June, 2008

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

Key assumption and other key sources of estimation uncertainty:

(i) Impairment on interests in subsidiaries

The Group carries out assessment on the recoverability of its interests in subsidiaries, by reference to the financial situation and the operation of the subsidiaries. This requires the use of judgement and estimates. When the actual result is different from the original estimate, such difference will impact the carrying value of the interests in subsidiaries and impairment expense or reversal of impairment for the year.

(ii) Allowance for bad and doubtful debts

The Group performs ongoing credit evaluations of its debtors and adjusts credit limits based on payment history and the debtor's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its debtors and maintains a provision for estimated credit losses based upon its historical experience and any specific debtors collection issues that it has been identified. The Group will continue to monitor the collections from debtors and maintain an appropriate level of estimate credit losses.

(iii) 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 Group 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.

8. TURNOVER

Turnover represents revenue arising from provision of energy savings services and system design and integration services. The amount of revenue recognised in turnover during the year is as follows:

	2008 RMB'000	2007 RMB'000
Revenue from provision of energy savings services and system design and integration services	11,956	2,643

Notes to the Financial Statements

For the year ended 30th June, 2008

9. OTHER INCOME AND GAINS, NET

	2008 RMB'000	2007 RMB'000
Net exchange gain	1,177	663
Others	113	147
	1,290	810

10. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on a bank loan wholly repayable within five years	1,299	1,302

11. TAXATION

(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 year ended 30th June, 2008 (2007: Nil).

(iii) PRC enterprise income tax

No provision for PRC enterprise income tax has been made as Beijing Creative has sustained a loss for the year ended 30th June, 2008 (2007: Nil).

Notes to the Financial Statements

For the year ended 30th June, 2008

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging the following:

	2008 RMB'000	2007 RMB'000
Staff costs:		
Salaries and other benefits	298	605
Pension costs – defined contribution plans	10	25
Depreciation of property, plant and equipment	64	278
Operating lease rentals of premises	97	156
Research and development costs	–	93
Auditors' remuneration		
– Current year	331	10
– Underprovision in prior years	593	–

13. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss of RMB172,720,000 for the year ended 30th June, 2008 (2007: Nil) attributable to equity holders of the Company has been dealt with in the financial statements of the Company.

14. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the year ended 30th June, 2008 of approximately RMB15,342,000 (2007: approximately RMB189,536,000) and the weighted average number of 440,000,000 (2007: 440,000,000) ordinary shares in issued in these two years.

(b) Diluted loss per share

Since the outstanding share options and convertible bonds are anti-dilutive to the loss per share, no diluted loss per share is presented for both years.

Notes to the Financial Statements

For the year ended 30th June, 2008

15. PROPERTY, PLANT AND EQUIPMENT

No disclosure on the movements of the Group's property, plant and equipment in the financial statements for the year ended 30th June, 2008 with net book value of approximately RMB91,000 (2007: RMB155,000) has been made as the new directors were unable to gather sufficient evidence on the movements of the Group's property, plant and equipment for these two years. Property, plant and equipment for these two years included furniture and fixtures and motor vehicles, which are all carried at cost less accumulated depreciation and any accumulated impairment losses.

16. GOODWILL

	RMB'000
Cost	
At 1st July, 2006 and 30th June, 2007	55,453
Deconsolidation of subsidiaries	(55,453)
<hr/>	
At 30th June, 2008	–
Impairment	
At 1st July, 2006	–
Impairment recognised in income statement	55,453
<hr/>	
At 30th June, 2007	55,453
Deconsolidation of subsidiaries	(55,453)
<hr/>	
At 30th June, 2008	–
Carrying value	
At 30th June, 2008	–
<hr/>	
At 30th June, 2007	–
<hr/>	

On the basis that the relevant books and records are either lost prior to the appointment of the new directors or incomplete, the new directors make no representation as to the completeness and accuracy of goodwill.

Notes to the Financial Statements

For the year ended 30th June, 2008

17. SUBSIDIARIES

The following is a list of the subsidiaries at 30th June, 2008 which have been included in these consolidated financial statements:

Name	Place of incorporation/ operations	Particulars of issued capital/ registered capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by the subsidiary	
Easy Union Holdings Limited	British Virgin Islands/ Hong Kong	50,000 ordinary shares of US\$1 each	100%	100%	–	Investment holding
Rising Dragon International Limited	British Virgin Islands/ Hong Kong	100 ordinary shares of US\$1 each	100%	100%	–	Investment holding
Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd* ("Beijing Creative")	The People's Republic of China	HK\$35,000,000	100%	–	100%	Provision of energy efficiency solutions and engineering consulting services

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

18. LOSS ON DECONSOLIDATION OF SUBSIDIARIES, NET

	2008 RMB'000	2007 RMB'000
Gain on deconsolidation of subsidiaries	(183,944)	–
Impairment losses on investment costs in the deconsolidated subsidiaries	120,053	–
Impairment losses on amounts due from the deconsolidated subsidiaries	68,765	–
	4,874	–

Notes to the Financial Statements

For the year ended 30th June, 2008

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2008 RMB'000	2007 RMB'000
Unlisted equity securities, at cost		
At beginning of the year	21,302	21,302
Exchange differences	(3,103)	–
At end of the year	18,199	21,302
Impairment		
At beginning of the year	21,302	–
Charged for the year	–	21,302
Exchange differences	(3,103)	–
At end of the year	18,199	21,302
Carrying value		
At 30th June, 2008	–	–
At 30th June, 2007	–	–

20. INVENTORIES

	2008 RMB'000	2007 RMB'000
Consumables stores	694	884
Work in progress	172	2,328
	866	3,212

No inventories was carried at net realisable value at 30th June, 2008 (2007: nil).

The amount of inventories recognised as expense and included in profit or loss is RMB13,638,000 (2007: RMB1,962,000).

Notes to the Financial Statements

For the year ended 30th June, 2008

21. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	5,882	7,616
Less: allowance for impairment	(862)	(2,521)
	5,020	5,095
Other receivables	32,070	35,169
Less: allowance for impairment	(25,075)	–
	6,995	35,169
Prepayments	12,015 25	40,264 39
	12,040	40,303

22. TRADE AND OTHER PAYABLES

	2008 RMB'000	2007 RMB'000
Trade payables	3,167	6,493
Other payables and accruals	13,155	32,873
Amounts due to deconsolidated subsidiaries	48,427	–
	64,749	39,366

Notes to the Financial Statements

For the year ended 30th June, 2008

23. BANK LOANS AND OVERDRAFTS

At 30th June, 2008, the analysis of bank loans and overdrafts were as follows:

	2008	2007
	RMB'000	RMB'000
Bank overdrafts – secured	–	5,487
Secured bank loans	–	10,571
Unsecured bank loans	13,091	14,649
	13,091	30,707

The loan facilities of certain subsidiaries are granted by corporate guarantee given by the Company.

24. COUPON BONDS

The 2.5% coupons bonds (the “Bonds”) with warrants attached, having an aggregate principal amount of US\$4,500,000 (equivalent to approximately RMB37,206,000), were issued on 1st November, 2002 and have been matured 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. As at 30th June, 2008, according to the books and records of the Company, the Bonds were repayable as follows:

	2008	2007
	RMB'000	RMB'000
Within 1 year	22,356	24,766

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 year ended 30th June, 2008

25. SHARE CAPITAL

	2008		2007	
	Number of of share '000	Amount RMB'000	Number of of share '000	Amount RMB'000
Authorised: Ordinary shares of HK\$0.10 (equivalent to approximately RMB0.106 each) At 1st July and 30th June	1,000,000	106,000	1,000,000	106,000
Issued and fully paid: Ordinary shares of HK\$0.10 (equivalent to approximately RMB0.106 each) At 1st July and 30th June	440,000	46,640	440,000	46,640

26. WARRANTS

The Company issued the coupon bonds (*see note 24*) 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 warrants were expired following with the mature of the coupon bonds.

Notes to the Financial Statements

For the year ended 30th June, 2008

27. OTHER RESERVES

	Merger reserve <i>(note (i))</i> RMB'000	General reserve fund <i>(note (ii))</i> RMB'000	Enterprise expansion reserve fund <i>(note (iii))</i> RMB'000	Translation reserve RMB'000	Total RMB'000
At 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
Deconsolidation of subsidiaries	(10,440)	(6,922)	(14,926)	5,161	(27,127)
Currency translation differences	-	-	-	3,857	3,857
At 30th June, 2008	-	-	-	7,719	7,719

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 subsidiary 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.
- (iii) According to the relevant rules and regulations in the PRC and the PRC subsidiaries' articles of association. Each of the PRC subsidiary 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 Beijing Creative, determined not to make any appropriation to the enterprise expansion reserve fund as the subsidiary has sustained losses for the year ended 30th June, 2007 and 30th June, 2008.

Notes to the Financial Statements

For the year ended 30th June, 2008

28. PROVISION FOR FINANCIAL GUARANTEES TO A DECONSOLIDATED SUBSIDIARY

The banking facilities of the deconsolidated subsidiary were secured by the corporate guarantees issued by the Company. Details of the abovementioned items are set out as follows:

	2008 RMB'000	2007 RMB'000
Provision for financial guarantees to a deconsolidated subsidiary	6,874	–

On the basis of the available books and records to the new directors, the new directors are not aware of any significant discrepancy of the abovementioned financial guarantees to a deconsolidated subsidiary and other borrowings.

29. OPERATING LEASE COMMITMENT

As lessee

The Group leases certain of its office under operating lease arrangements, with leases negotiated for original terms of 1 year. None of the leases includes contingent rentals.

	2008 RMB'000	2007 RMB'000
Within one year	28	–
In the second to fifth years, inclusive	–	–
	28	–

On the basis that the relevant books and records are either lost prior to the appointment of the new directors or incomplete, the new directors make no representation as to the completeness and accuracy of the operating lease commitment disclosure for the year ended 30th June, 2008.

30. RELATED PARTY TRANSACTION

On the basis that the relevant books and records are either lost prior to the appointment of the new directors or incomplete, the new directors make no representation as to the completeness and accuracy of the related party transactions.

31. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Group manages capital by regularly monitoring its current and expected liquidity requirements rather than using debt/equity ratio analysis.

The Group is not subject to either internally or externally imposed capital requirements.

Notes to the Financial Statements

For the year ended 30th June, 2008

32. EMPLOYEE RETIREMENT BENEFITS

On the basis that the relevant books and records are either lost prior to the appointment of the new directors or incomplete, the new directors make no representation as to the completeness and accuracy of the employee retirement benefits.

33. SUBSEQUENT EVENTS

Details of subsequent events are summarised in notes 2 and 3 to the financial statements.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2008

The HKICPA has issued the following standards, interpretations and amendments which are not yet effective as of the date of these financial statements:

Effective for annual periods beginning on or after 1st July, 2008

HK(IFRIC) – Int 13	Customer Loyalty Programmes
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Effective for annual periods beginning on or after 1st January, 2009

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate

Effective for annual periods beginning on or after 1st July, 2009

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners

Effective for transfers on or after 1st July, 2009

HK(IFRIC) – Int 18	Transfer of Assets from Customers
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Notes to the Financial Statements

For the year ended 30th June, 2008

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2008 *(continued)*

Apart from the above, the HKICPA has also issued "Improvements to HKFRSs" which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 which is effective for annual periods beginning on or after 1st July, 2009, other amendments are effective for annual periods beginning on or after 1st January, 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the Group's first annual reporting period beginning on after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. HKAS 1 (Revised) will prohibit the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). The new directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretation will have no material impact on the results and the financial position of the Group.

Five Year Summary

As at 30th June, 2008

	Years ended 30th June				
	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000
Results					
Turnover	11,956	2,643	4,449	29,897	59,505
(Loss)/Profit from operations	(14,043)	(188,234)	(2,821)	(45,941)	6,525
Finance costs	(1,299)	(1,302)	(1,151)	(3,751)	(2,348)
(Loss)/Profit from ordinary activities before taxation	(15,342)	(189,536)	(3,972)	(49,692)	4,177
Taxation	-	-	-	-	(624)
(Loss)/Profit from ordinary activities after taxation	(15,342)	(189,536)	(3,972)	(49,692)	3,553
Minority Interests	-	-	-	51	287
(Loss)/Profit attributable to shareholders	(15,342)	(189,536)	(3,972)	(49,641)	3,840
Dividend	-	-	-	-	-
(Loss)/Earnings per share					
- Basic	(3.49) cents	(43.08) cents	(0.90) cents	(11.28) cents	0.89 cents
- Diluted	N/A	N/A	N/A	N/A	0.87 scents
Assets and liabilities					
Property, plant and equipment	91	155	2,825	3,258	8,485
Other non-current assets	-	-	119,651	120,650	111,124
Net current (liabilities)/assets	(93,220)	(52,923)	41,310	45,315	94,446
Non-current liabilities	-	-	(26,168)	(27,080)	(22,324)
Minority interests	-	(1,749)	(1,749)	(1,749)	(1,800)
Net (liabilities)/assets	(93,129)	(54,517)	135,869	140,394	189,931
Share capital	46,640	46,640	46,640	46,640	46,640
Reserves	(139,769)	(101,157)	89,229	93,754	143,291
	(93,129)	(54,517)	135,869	140,394	189,931