Creative Energy Solutions Holdings Limited
科 瑞 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)
(Stock Code: 8109)

:: Annual Report 2010

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This report, for which the directors (the "Directors") of the Creative Energy Solutions Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

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Corporate Information

EXECUTIVE DIRECTORS

Xu Bo *(Chairman)*
Wu Chun Wah *(Chief Executive Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Cheong Ying Chew, Henry
Dr. Zhao Bin
Chan Sun Kwong

COMPANY SECRETARY

Yuen Shuk Yee

COMMITTEES

AUDIT COMMITTEE

Chan Sun Kwong *(Chairman)*
Cheong Ying Chew, Henry
Dr. Zhao Bin

REMUNERATION COMMITTEE

Xu Bo *(Chairman)*
Cheong Ying Chew, Henry
Dr. Zhao Bin
Chan Sun Kwong

AUTHORISED REPRESENTATIVES

Wu Chun Wah
Yuen Shuk Yee

AUDITORS

Ting Ho Kwan & Chan
Certified Public Accountants (Practising)
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

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

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

Corporate Information

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

Room 1906, 19th floor, Hopewell Centre, No. 183
Queen's Road East, Wanchai, 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

Chairman's Statement

On behalf of the Board of Directors (the "Board") of Creative Energy Solutions Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group"), I would like to announce the first annual report since Million Sino Investments Limited ("Million Sino") became the controlling shareholder of the Company on 29 July 2010 notwithstanding the Company was suspend and monitored by Mr. Desmond Chung Seng Chiong and Mr. Roderick John Sutton of Ferrier Hodgson Limited in their capacity as the joint and several liquidators of the Company pursuant to the Order of the High Court dated 3 May 2007 (the "Liquidator") for the past 12 months upto fiscal year ended 30 June 2010. The audited loss of the Group attributable to shareholders for the year ended 30 June 2010 was approximately RMB366,000.

REVIEW OF RESULTS

For the year ended 30 June 2010, the Group recorded a net loss of RMB366,000 and loss per share of RMB4.16 cents.

BUSINESS OPERATION

Upon completion of the Restructuring Agreement and Subscription Agreement, Million Sino acquired 127,057,440 Shares, representing approximately 72.19% of the issued share capital of the Company, and eventually became the controlling shareholder of the Company.

After the restructuring is completed, the Board will dedicate to implement various measures to enhance the Group's business operation and financial position. Those measures are: 1. appointing a management team with extensive experience and excellent talent to enhance the overall management of the Group; 2. researching and formulating the Group's operating strategy and plan with focus on the PRC energy saving policy; 3. optimizing and upgrading the Company's technology and licenses in order to develop our core competitive strength through licensed technology and services; 4. implementing plans to reduce costs and enhance efficiency as well as actively streamlining the execution of the remaining contracts; 5. formulating feasible marketing competition, product and service strategies under the new structure.

PROSPECT

In the coming year, the Group will focus on the technical services regarding energy saving and emission reduction as well as related businesses. After more than 30 years of rapid growth, the PRC is now requiring in depth implementation of energy saving and emission reduction measures in which the State Council had already formulated the execution of related policies. The Group will leverage on the existing technology and business model to capture the enormous business opportunities within the industry. As a result, the Board believes its operating and financial performance will improve significantly in the near future.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all those who have contributed to the successful restructuring and the resumption of trading in the Company's shares. I also would like to express our sincere thanks to our staff for their dedication and hardwork throughout the year.

Xu Bo
Chairman
Hong Kong, 27 September 2010

Management Discussion and Analysis

The board of directors ("the Board") of Creative Energy Solutions Holdings Limited announces the audited consolidated result of the Company and its subsidiaries ("the Group") for the year ended 30 June 2010.

FINANCIAL RESULTS

The net loss of the Group attributable to shareholders for the year ended 30 June 2010 was approximately RMB366,000 which was substantially reduced by about 80% as compared with net loss of approximately RMB1,794,000 in the year 2009. The net loss was mainly attributable to the increase in impairment losses on trade receivables of RMB1,280,000 during the year under review.

For the financial year ended 30 June 2010, the Group recorded a turnover of RMB11,659,000 representing an increase of about four times of the turnover of RMB2,901,000 recorded in the previous financial year. The turnover mainly comprises the provision of repairing and maintenance services under the existing contracts and provision of energy saving services and system design and integration services and sale of energy saving products to new customers explored during the year under review.

FINANCIAL POSITION

Financial position of the Group for the fiscal year ended 30 June 2010 has not much improved until the restructuring of the Group was effective on 29 July 2010. As at 30 June 2010, the net current liabilities of the Group was RMB95,327,000 which was slightly increased as compared to approximately RMB94,968,000 as at 30 June 2009.

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

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

On 3 May 2007, the Liquidators were appointed and they worked together with Million Sino Investments Limited (the "Investor") and submitted a resumption proposal immediately after their appointment.

On 9 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 2 February 2009.

On 6 February 2009, the GEM Listing Committee confirmed in writing (the "Approval Letter") that the Company was allowed to proceed with the resumption proposal dated 2 February 2009 involving, among other things, the capital reorganisation of the share capital of the Company, the subscription of 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 the following conditions on or before 5 August 2009 (which was subsequently extended to 30 June 2010 and 31 August 2010 respectively):

On 17 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 24 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 purpose of this 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 31 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 30 June 2010 (which was subsequently extended to 31 August 2010).

On 30 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 on 30 January 2010.

A creditors' meeting was convened on 9 June 2010 and the Schemes were unanimously approved by the creditors. The Hong Kong Scheme was sanctioned by the High Court on 22 June 2010. The Bermuda Scheme was sanctioned by the Supreme Court of Bermuda on 18 June 2010.

On 23 July 2010, all resolutions in connection with the Restructuring Proposal were duly passed at special general meeting.

Management Discussion and Analysis

On 29 July 2010, all the conditions set out in the Approval Letter issued by the Stock Exchange have been fulfilled of which were set out below and the Liquidators were also released. The Company has submitted its application to the Stock Exchange for approval to resume of trading in the shares on the Stock Exchange on 30 July 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;

(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.

CHANGE IN BOARD, REMEDIES ON NON-COMPLIANCE WITH THE GEM LISTING RULES AND RESUMPTION OF TRADING IN THE COMPANY'S SHARES

Mr. Shum Fong Chung, Ms. Lin Rong Yin, Mr. Shi Jian Hui and Ms. To Sin Ning have been removed as the Directors of the Company upon the Completion of the above Restructuring Proposal. Meanwhile Mr. John Howard Batchelor, Mr. Cheng Chi Ho, Mr. Chow Wai Shing Daniel and Mr. Yeung Ka Wing, resigned as executive Directors and were replaced by Mr. Wu Chun Wah and Mr. Xu Bo. Three independent non-executive Directors, Mr. Cheong Ying Chew, Henry, Dr. Zhao Bin and Mr. Chan Sun Kwong are also appointed on the same date. The two executive Directors and three independent Directors formed the new Board of Directors on 29 July 2010.

With effect from 29 July 2010, the audit committee and the remuneration committee have been formed. The three independent non-executive Directors have been appointed as members of the audit committee. Mr. Xu Bo together with the three Independent non-executive Directors have been appointed as members of the remuneration committee. On the same date, the Company has made submission to the Stock Exchange to demonstrate, among other things announced by the Company on 29 July 2010, (i) the Company has strengthen the composition of the Board, (ii) the Company has taken necessary step to improve its internal control system and (iii) the Company has rectified those deviations stipulated from non-compliance of GEM Listing Rules. On 30 July 2010, the trading in shares of the Company in the Stock Exchange has been resumed.

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.

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. According to the restructuring, 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.

Upon completion of the restructuring, the Group will remain its principal business engagement of 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.

The Group will continuously devote great efforts in promoting the provision of total solutions of energy saving management and other related services in PRC including Hong Kong. In the coming years, the Group will allocate resources in support of research and development in improvement and upgrading of the application and efficiency of its proprietary EMS solutions SAVIN 2000 series and development of new SAVIN 2000 product series. With the increasing demand of energy saving management solution, the business outlook of the Group is promising.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

Bank balances and cash as at 30 June 2010 was approximately RMB0.64 million (2009: RMB0.03 million). The Group's gearing ratio for the year ended 30 June 2010 was not applicable as the Group had shareholders' deficit as at 30 June 2010 (2009: 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 COMMITMENTS

As at 30 June 2010, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2010, the Directors are not aware of any material contingent liabilities.

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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2010, the Group had 12 full-time employees. Employee remuneration for the year ended 30 June 2010 was approximately RMB279,000 (2009: approximately RMB262,000).

The remuneration policy for the employees of the Group is based on their respective merit, qualifications and competence and prevailing market conditions.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. XU Bo, aged 49, was appointed as an executive Director and the Chairman of the Company on 29 July 2010. Mr. Xu is also the Chairman of the remuneration committee. He graduated from Zhenzhou University and holds a bachelor of science degree in Equipment Automation. Mr. Xu is a director of Risingsun Investments Group Limited with diversified business interests including investment in liquified natural gas supply projects. Mr. Xu is also the controlling shareholder of Shenzhen CATIC Computer Engineering Co. Ltd. and Beijing Com-Link Information & Technology Co. Ltd.

Mr. WU Chun Wah, aged 45, was appointed as an executive Director of the Company on 29 July 2010. He graduated from Northeast Louisiana University and holds a master degree in business administration and a master degree in corporate governance from the Hong Kong Polytechnic University. Mr. Wu also obtained a diploma of China trade and investment from Beijing University, a diploma of China laws from Guangdong Economic Laws Research Centre and a postgraduate diploma in management from Asia International Open University. He is a fellow member of the Hong Kong Institute of Directors, member of the Hong Kong Securities Institute, associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He is currently the executive director of Incutech Investments Limited, (listed on the Stock Exchange). Prior to his present employment, he was an executive director of China Chengtong Development Group Limited (listed on the Stock Exchange) which is a subsidiary of China Chengtong Holdings Company, a pillar enterprise under the supervision of State-owned Assets Supervision and Administration Commission. He was also the non-executive director of China Agrotech Holdings Limited (listed on the Stock Exchange). He has also worked for several international financial institutions including BNP Paribas Peregrine Capital Limited, CCIC Finance Limited and American Express Bank Limited. Mr. Wu has extensive experience in financial investment and corporate finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEONG Ying Chew, Henry, aged 62, was appointed as an Independent Non-executive Director of the Company on 29 July 2010. Mr. Cheong is also a member of the Audit Committee and Remuneration Committee of the Company. Mr. Cheong is an Independent Non-executive Director of Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited, CNNC International Limited, Excel Technology International Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, New World Department Store China Limited, SPG Land (Holdings) Limited and TOM Group Limited, all being listed companies in Hong Kong. He is also an Independent Director of BTS Group Holdings Limited, a company listed on the Stock Exchange of Thailand. Mr. Cheong is an Executive Director and Deputy Chairman of Worldsec Limited, a company listed in London. Mr. Cheong is a member of the Securities and Futures Appeals Tribunal, a member of the Advisory Committee of the Securities and Futures Commission and a member of the Disciplinary Panel (Panel A) of the Hong Kong Institute of Certified Public Accountants. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management. Mr. Cheong was previously an Independent Non-executive Director of FPP Japan Fund, Inc. (formally known as FPP Golden Asia Fund Inc. and Jade Asia Pacific Fund Inc), a currently listed in Ireland (resigned on 21 October 2008).

Biographical Information of Directors

Dr. ZHAO Bin, aged 35, was appointed as an Independent Non-executive Director of the Company on 29 July 2010. Dr. Zhao is also a member of the Audit Committee and Remuneration Committee of the Company. Dr. Zhao is the Associate Professor of Department of Building Science, School of Architecture of Tsinghua University. Dr. Zhao holds Philosophy of Doctor Degree in Heating, Ventilating and Air Conditioning Engineering from Tsinghua University. Dr. Zhao is currently participating in various research projects focusing on ventilation and energy saving including a research project under the 11th 5-year National Key Technology R&D Program. Dr. Zhao also participated in design and analysis of ventilation and energy saving of various key construction projects in China including National Olympic Gymnasium, People's Great Hall, CCTV Hall etc. He is an expert in ventilation and energy saving solutions in the PRC.

Mr. CHAN Sun Kwong, aged 44, was appointed as an Independent Non-executive Director of the Company on 29 July 2010. He is also a member of Remuneration Committee and the Chairman of the Audit Committee of the Company. He has over 20 years of experience in public accounting, auditing, finance and banking industry in Hong Kong and overseas. He is a fellow member of the Association of Chartered Certified Accountants in the United Kingdom, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. He is an executive director, finance director and company secretary of Sam Woo Holdings Limited, a company listed in Hong Kong.

Mr. Chan was previously an independent non-executive director of Anex International Holdings Limited (now known as Sustainable Forest Holdings Limited), a company listed on the Hong Kong Stock Exchange (resigned on 31 January 2008).

Save as disclosed above, Mr. Cheong, Dr. Zhao and Mr. Chan did not hold any directorship in other listed companies in the last three years.

Mr. Cheong, Dr. Zhao and Mr. Chan do not have any interest in the New Shares within the meaning of Part XV of the SFO nor does each of them have any relationship with any other directors, senior management, substantial shareholder or controlling shareholder of the Company.

The directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2010.

Trading in the shares of Creative Energy Solutions Holdings Limited (the "Company") has been suspended from trading on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 September 2005 and resumed on 30 July 2010.

The Company was ordered to be wound up pursuant to an Order by the High Court of Hong Kong (the "High Court") dated 14 February 2007 and the Official Receiver was appointed Provisional Liquidator of the Company. Subsequently, 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 3 May 2007. The release of the Liquidators was granted on 14 July 2010 by the High Court.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

Details of the principal activities of the principal subsidiaries of the Company as at 30 June 2010 are set out in note 18 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2010 and the state of the affairs of the Group as at that date are set out in the financial statement on pages 30 to 71.

SHARE CAPITAL AND RESERVES

As at 30 June 2010, the total number of shares issued by the Company was 440,000,000 shares. Details of the capital structure of the Company are set out in note 26 to the financial statements.

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 32.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 30 June 2010, the Company has no reserve available for distribution to shareholders (2009: Nil).

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 26 August 2002 and 27 August 2002 respectively in respect of the placement of 2.5% coupon bonds due on 1 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 1 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 1 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.

As the warrants were expired on 1 November 2007, the rights for conversion into the Company's shares lapsed with immediate effect on the same date. During the year ended 30 June 2010 no warrant was exercised by the warrantholders.

PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of 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.

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 72. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Details of movement in the bank loans and other borrowings of the Group during the year are set out in note 24 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 3 January 2002 for the primary purpose of providing incentives to eligible persons (as defined in the Share Option Scheme) and will expire on 2 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 3 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 14 February 2007. Accordingly, no option of the Company is outstanding as at the date of this report.

It is the intention of the Company to terminate the Share Option Scheme in accordance with its terms at the forthcoming annual general meeting for easy administrative purpose.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2010.

CONNECTED TRANSACTIONS

During the year ended 30 June 2010, there were no transactions which needed to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

AUDIT COMMITTEE

Since 29 July 2010, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Provisions of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chan Sun Kwong (as chairman), Mr. Cheong Ying Chew, Henry, and Dr. Zhao Bin. The Company's annual results for the year ended 30 June 2010 have been reviewed by the audit committee of the Company.

Report of the Directors

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the financial year and up to the date of this report were:

Executive directors:
Mr. Xu Bo *(appointed as Chairman on 29 July 2010)*
Mr. Wu Chun Wah *(appointed on 29 July 2010)*
Mr. Batchelor John Howard *(appointed on 30 January 2010 and resigned on 29 July 2010)*
Mr. Cheng Chi Ho *(appointed on 30 January 2010 and resigned on 29 July 2010)*
Mr. Chow Wai Shing Daniel *(appointed on 30 January 2010 and resigned on 29 July 2010)*
Mr. Shum Fong Chung *(removed on 29 July 2010)*
Ms. Lin Rong Ying *(removed on 29 July 2010)*
Mr. Yeung Ka Wing *(appointed on 30 January 2010 and resigned on 29 July 2010)*

Independent non-executive directors:
Mr. Chan Sun Kwong *(appointed on 29 July 2010)*
Mr. Cheong Ying Chew, Henry *(appointed on 29 July 2010)*
Dr. Zhao Bin *(appointed on 29 July 2010)*
Mr. Shi Jian Hui *(removed on 29 July 2010)*
Ms. To Sin Ning *(removed on 29 July 2010)*

In accordance with the Company's Bye-Laws, Mr. Wu Chun Wah will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Each of the executive Directors, Mr. Xu Bo and Mr. Wu Chun Wah has entered into a service agreement with the Company which employment will commence on 29 July 2010 and will continue thereafter until terminated by two months' notice in writing served by either party on the other.

Each of the independent Non-Executive Directors, Mr. Chan Sun Kwong and Mr. Cheong Ying Chew, Henry and Dr. Zhao Bin has entered into a service agreement with the Company which engagement will commence on 29 July 2010 and will continue thereafter until terminated by two months' notice in writing served by either party on the other.

Save as disclosed above, none of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

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

To the best knowledge of the directors, as at 30 June 2010, 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:

	Ordinary shares of HK$0.1 each			
Beneficial interests	**Personal interests**	**Corporate interests**	**Number of shares held**	**Percentage of Total shares**
Mr. Shum Fong Chung *(Note)*	247,128,000	–	247,128,000	56.17%

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

	Underlying shares in the Company			
Name	**Date of grant**	**Exercise price** (HK$)	**Exercise period**	**Number of shares in respect of options outstanding as at 30 June 2005**
Director				
Ms. Lin Rong Ying	04/04/2003	0.30	*Note*	1,200,000
Senior Management				
Mr. Kam Ying Fai	04/04/2003	0.30	*Note*	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 14 February 2007. Accordingly, no option of the Company is outstanding as at the date of this report.

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

To the best knowledge of the directors, save as disclosed above, as at 30 June 2010, 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 Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

To the best knowledge of the directors, as at 30 June 2010, the following persons (other than the directors and chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

	Ordinary Shares of HK$0.1 each			
Beneficial interests	**Personal interests**	**Corporate interests**	**Total number of shares held**	**Percentage of total issued shares**
As at 30 June 2010				
Ms. Kwok Kin Kwok	24,000,000	–	24,000,000	5.78%
Ms. Au Suet Ming Clarea *(Note)*	400,000	247,128,000	247,528,000	56.26%
Billion Wealth Holdings Limited *(Note)*	–	247,128,000	247,128,000	56.17%

Note: To the best knowledge of the Directors, on 15 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 that date. Together with her personal interest in 400,000 shares of the Company, Ms. Au became interested in 247,528,000 shares of the Company.

Save as disclosed above, as at 30 June 2010, no person, other than the directors and chief executive of the Company whose interests have been set out in the section headed "Directors' and the Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest and a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" 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.

COMPETING INTEREST

As at 30 June 2010, none of the directors or substantial shareholders of the Company has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

DIRECTORS' INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

MAJOR SUPPLIERS AND CUSTOMERS

The percentages of purchases and sales for the year attributable to the Group's major customers and suppliers are as follows:

Purchases	
– the largest supplier	75%
– five largest suppliers combined	98%
Sales	
– the largest customer	72%
– five largest customers combined	99%

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out on page 21 of the Annual Report.

Report of the Directors

REMUNERATION POLICY

The remuneration policy for the employees of the Group is based on their respective merit, qualifications and competence and prevailing market conditions.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 33 to the financial statements.

AUDITORS

The financial statements were audited by Ting Ho Kwan & Chan who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

For and on behalf of
Creative Energy Solutions Holdings Limited
Wu Chun Wah
Executive Director
Hong Kong, 27 September 2010

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in enhancing the shareholders' value.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles as set out in the Code on Corporate Governance Practices ("CG Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange") and complied with all the code provisions set out in the CG Code ("Code Provisions").

During the fiscal year ended 30 June 2010, the Company was in liquidation and was under the control and supervise of the Liquidators. All members of the current Board were appointed on 29 July 2010 after the fiscal year ended 30 June 2010. Hence, the Board was unable to comment as to whether the Company has complied with the CG Code throughout the fiscal year. The underlying content of the corporate governance report was prepared by the current Board based upon its best knowledge and information obtained for the Company's shareholders' reference only.

After 29 July 2010, the Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the Code Provisions. Except for the deviation from the provision A.4.1 of the Code Provisions, details of which are stated under the heading of "NON-EXECUTIVE DIRECTORS" below.

NON-EXECUTIVE DIRECTORS

The Code provision A.4.1 provides that Non-executive Directors should be appointed for specific terms, subject to re-election. The Company has deviated from this provision in that all Independent Non-executive Directors are not appointed for specific terms. They are, however, subject to retirement and re-election every three years. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long term interests of the Company's shareholders and the retirement and re-election requirements of Independent Non-executive Directors have given the Company's shareholders the right to approve continuation of Independent Non-executive Directors' offices.

COMPLIANCE WITH THE 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 year ended 30th June, 2010 is not applicable.

THE BOARD

The Company is headed by the Board which is responsible for directing and supervising the Company's affairs. As at the date of this report, the Board comprises two executive Directors and three independent non-executive Directors. Biographies of all the Directors and the relationships (if any) among them are set out on pages 11 to 12 of this annual report.

The Liquidators have used their best endeavours to contact four Directors, namely Mr. Shum Fong Chung, Ms. Lin Rong Ying, Mr. Shi Jian Hui and Ms. To Sin Ning. However, to the best of the knowledge of and effort made by the Liquidators, they are not contactable and have no involvement in the Group's operation, the discussion and negotiation of the Restructuring Proposal and the preparation of the circular dated 30 June 2010 since the date of appointment of the Liquidators on 3 May 2007.

Mr. Shum Fong Chung and Ms. Lin Rong Ying, Mr. Shi Jian Hui and Ms. To Sin Ning have been removed as directors and the Investor has nominated four directors, Mr. Batchelor John Howard, Mr. Cheng Chi Ho, Mr. Chow Wai Shing Daniel and Mr. Yeung Ka Wing on 30 January 2010 and they resigned on 29 July 2010 upon completion of the Restructuring Proposal. The Company has made a request to the Executive Director of the Corporate Finance Division of The Securities and Futures Commission of Hong Kong (the "Executive") for consent to the exclusion of Mr. Shum Fong Chung, Ms. Lin Rong Ying, Mr. Shi Jian Hui and Ms. To Sin Ning from the responsibility statement in the circular dated 30 June 2010 and any subsequent announcements of the Company under Rule 9.4 of the Takeovers Code and the Executive consented to such exclusion.

Hence the Company is unable to receive annual confirmations from all independent non-executive Directors that, save as disclosed in the annual report, they did not have any business or financial interest with the Company or its subsidiaries and were independent as at 30 June 2010 in accordance with the GEM Listing Rules.

With effect from the completion of the Restructuring Agreement, Mr. Wu Chun Wah and Mr. Xu Bo have been appointed as executive Directors; Mr. Cheong Ying Chew, Henry, Dr. Zhao Bin and Mr. Chan Sun Kwong have been appointed as independent non-executive Directors. Mr. Xu Bo has also been appointed as the Chairman of the Company with effect from 29 July 2010.

Functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management are as follows:

The Board shall be responsible for:

- Approval of corporate and business strategies of the Company
- Approval of the annual budgets and financial reports of the Group
- Monitoring the operating and financial performance of the Group
- Declaration of dividend to the shareholders of the Company
- Approval of investment proposals of the Company
- Restructuring and spin off relating to the Group
- Overseeing the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance
- Corporate governance

The management shall be responsible for:

- Day to day operations of the Company and its subsidiaries as delegated by the Board to the management led by the Chief Executive Officer
- Formulation of corporate and business strategies to be approved by the Board
- Execution of corporate and business strategies approved by the Board
- Formulation of investment, acquisition, mergers or spin off proposals
- Execution of investment, acquisition, mergers or spin off proposals and approved by the Board

ATTENDANCE OF INDIVIDUAL DIRECTORS AT BOARD MEETINGS FOR THE YEAR ENDED 30 JUNE 2010

There were a total of 3 Board meetings held during the year ended 30 June 2010. The attendance of individual directors at the Board meetings held during the year is as follows:

Name of Director	Number of Attendance
Mr. Batchelor John Howard	*(Note (a))* 3/3
Mr. Cheng Chi Ho	*(Note (a))* 3/3
Mr. Chow Wai Shing Daniel	*(Note (a))* 3/3
Mr. Shum Fong Chung	*(Note (b))* 0/3
Ms. Lin Rong Ying	*(Note (b))* 0/3
Mr. Yeung Ka Wing	*(Note (a))* 3/3

Note:

(a) Appointed executive director on 30 January 2010 and resigned on 29 July 2010.

(b) Removed executive director on 29 July 2010.

Board minutes are kept by the secretary of the Company (the "Secretary") and are opened for inspection by the directors of the Company. Every director of the company is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Secretary, and has the liberty to seek external professional advice if so required.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xu Bo is the Chairman of the Board and Mr. Wu Chun Wah is the Chief Executive Officer. The Chairman shall be responsible for overseeing the operation of the Board, while the Chief Executive Officer shall oversee the business operations of the Company. The roles of the Chairman and Chief Executive Officer are set out in detail in the Bye-laws of the Company.

REMUNERATION OF DIRECTORS

Since 29 July 2010, the Company has established a remuneration committee (the “Remuneration Committee”) with written terms of reference. The Remuneration Committee currently comprises three independent non-executive Directors, namely, Mr. Chan Sun Kwong, Mr. Cheong Ying Chew, Henry and Dr. Zhao Bin.

The main functions of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company’s policy and structure for all remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

2. to be responsible for determining the specific remuneration packages of all executive Directors and management of the Company, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the Board of the remuneration of non-executive Directors of the Company;

3. to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;

4. to review and approve the compensation payable to executive Directors and the management of the Company in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

5. to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

6. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

NOMINATION OF THE DIRECTOR

No Nomination Committee has been set up, and hence, the Board is responsible for considering the suitability of a candidate to act as Director, and approving and termination the appointment of a Director. The Board is mainly responsible for identifying suitable candidates for the Board when there is a vacancy or an additional Director is considered necessary. The chairman of the Board will propose the appointment of such candidates to the Board for consideration and the Board will review the qualifications of the relevant candidates for determining the suitability of the Group on the basis of his/her qualifications, experience and background. The decision of appointing a Director must be approved by the Board. Any newly appointed Director by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial year, which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that year. The directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies,

Due to the fact that the Company was under liquidation prior to 29 July 2010 and Company lost control of a number of principal subsidiaries, the results of the principal subsidiaries have not been consolidated into the Group accounts. Accordingly, the auditors' report has been substantially qualified in this respect. Upon the completion of the Restructuring Proposal on 29 July 2010, all the uncertain issues have been cleared up and the Group's state of affairs are back in the control of the Directors.

AUDITOR'S REMUNERATION

For the year ended 30 June 2010, approximately HK$350,000 is payable to Ting Ho Kwan & Chan CPA, auditors of the Company for audit service.

AUDIT COMMITTEE

Since 29 July 2010, the Company has established an audit committee (the "Audit Committee") with written terms of reference aligned with the Provisions of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Chan Sun Kwong (as chairman), Mr. Cheong Ying Chew, Henry and Dr. Zhao Bin.

The main functions of the Audit Committee are as follows:

1. to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of that auditor;

2. to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

3. to develop and implement policy on the engagement of an external auditor to supply non audit services;

4. to monitor integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and to review significant financial reporting judgments contained in them;

5. to review the Company's financial controls, internal control and risk management systems;

6. to discuss with the Management the Company's system of internal control and ensure that the Management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget;

7. to consider any findings of major investigations of internal control matters as delegated by the Board or on its own initiative and the Management's response;

8. to review the group's financial and accounting policies and practices;

9. to review the external auditor's management letter, any material queries raised by the auditor to the Management in respect of the accounting records, financial accounts or systems of control and the Management's response; and

10. to ensure that the Board will provide a timely response to the issues raised in the external Auditor's management letter.

The Audit Committee has reviewed the audited financial results for the year ended 30 June 2010.

INTERNAL CONTROL

The Board has overall responsibility for the internal control and risk management systems of the Company and for reviewing the effectiveness of the internal control and risk management system through the Audit Committee. The Company has in place internal control and risk management systems covering financial, operational, compliance and risk management and supervised by an internal audit manager. An independent certified public accountants has reviewed the internal control and discussed the assessment bases with the management, and concurred that the Company has set up an effective internal control system to safeguard the assets of the Group.

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

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

香港德輔道中249－253號
東寧大廈9字樓

丁何關陳會計師行

TO THE SHAREHOLDERS OF CREATIVE ENERGY SOLUTIONS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of Creative Energy Solutions Holdings Limited (the "Company") set out on pages 30 to 71, which comprise the consolidated balance sheet as at 30 June 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors 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 section 90 of the Bermuda Companies Act 1981, 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.

Basis for disclaimer of opinion

1. *Comparative figures*

   The comparative figures in the current year's consolidated financial statements are derived from the financial statements for the year ended 30 June 2009 which contained a disclaimer of opinion due to the significance of the possible effects of the limitations on the scope of our audit and the material uncertainty in relation to a going concern, details of which are set out in our report dated 3 May 2010. We were unable to carry out necessary audit procedures 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 consolidated 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 profit or loss items.

2. *Deconsolidation of subsidiaries*

   As detailed in note 3(II) to the consolidated financial statements, certain subsidiaries were deemed to be disposed of by the Group due to the loss of control since 1 July 2007 and have been deconsolidated from the financial statements for the year ended 30 June 2010. No sufficient evidence has been provided to satisfy ourselves that the Company had lost control of these subsidiaries, therefore we are unable to comment on whether these subsidiaries should be excluded from the current year's consolidated financial statements. This caused us to qualify our audit opinion in the financial statements for the year ended 30 June 2009. Any adjustment that would be required may have a consequential significant effect on the net liabilities of the Group as at 30 June 2010 and loss attributable to the equity holders for the year then ended.

3. *Amounts due to the deconsolidated subsidiaries*

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

Disclaimer of opinion: disclaimer on view given by financial statements

Because of the significance of the possible effect of the limitations in evidence available to us as set out in the basis for disclaimer opinion paragraphs, 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 30 June 2010 and of the loss and cash flows 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.

TING HO KWAN & CHAN
Certified Public Accountants (Practising)

Hong Kong, 27 September 2010

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2010

	Notes	**2010 RMB'000**	2009 RMB'000
Turnover	9	**11,659**	2,901
Cost of services		**(9,719)**	(2,399)
Gross profit		**1,940**	502
Other income and gain, net	10	**10**	291
Distribution costs		**–**	(135)
Administrative expenses		**(2,316)**	(1,064)
Loss from operations		**(366)**	(406)
Finance costs	11	**–**	(1,388)
Loss before taxation		**(366)**	(1,794)
Taxation		**–**	–
Loss for the year	13	**(366)**	(1,794)
Other comprehensive income		**–**	–
Total comprehensive loss for the year		**(366)**	(1,794)
Attributable to:			
Equity holders of the Company		**(366)**	(1,794)
Loss per share			(Restated)
Basic	15	**(4.16 cents)**	(20.39 cents)

The notes on pages 34 to 71 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June 2010

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**38**	45
Available-for-sale financial assets	19	**–**	–
		38	45
CURRENT ASSETS			
Inventories	20	**459**	509
Trade and other receivables	21	**14,815**	13,329
Cash and cash equivalents		**639**	30
		15,913	13,868
CURRENT LIABILITIES			
Trade and other payables	22	**68,373**	66,696
Financial guarantee to a deconsolidated subsidiary	23	**6,874**	6,874
Borrowings	24	**13,637**	12,910
Amounts due to coupon bond holders	25	**22,356**	22,356
		111,240	108,836
NET CURRENT LIABILITIES		**(95,327)**	(94,968)
NET LIABILITIES		**(95,289)**	(94,923)
CAPITAL AND RESERVES			
Share capital	26	**46,640**	46,640
Reserves		**(141,929)**	(141,563)
Total equity attributable to equity holders of the Company		**(95,289)**	(94,923)

The financial statements were approved and authorised for issue by the Board of directors on 27 September 2010

Xu Bo
DIRECTOR

Wu Chun Wah
DIRECTOR

The notes on pages 34 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2010

	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2008	46,640	51,006	7,719	(198,494)	(93,129)
Total comprehensive loss for the year	–	–	–	(1,794)	(1,794)
At 30 June 2009	46,640	51,006	7,719	(200,288)	(94,923)
Total comprehensive loss for the year	–	–	–	(366)	(366)
At 30 June 2010	46,640	51,006	7,719	(200,654)	(95,289)

The notes on pages 34 to 71 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2010

	2010 **RMB'000**	2009 RMB'000
Operating activities		
Loss before taxation	**(366)**	(1,794)
Adjustments for:		
Unrealised exchange gain	**–**	(290)
Allowance for impairment of trade receivables	**1,280**	–
Depreciation	**31**	46
Finance costs	**–**	1,388
Operating profit/(loss) before changes in working capital	**945**	(650)
Decrease in inventories	**50**	357
Increase in trade and other receivables	**(2,766)**	(1,289)
Increase in trade and other payables	**1,677**	559
Net cash used in operating activities	**(94)**	(1,023)
Investing activities		
Purchase of property, plant and equipment	**(24)**	–
Net cash used in investing activities	**(24)**	–
Financing activities		
Loan advanced from the Investor	**727**	109
Net cash generated from financing activities	**727**	109
Net increase/(decrease) in cash and cash equivalents	**609**	(914)
Cash and cash equivalents at the beginning of the year	**30**	944
Cash and cash equivalents at the end of the year	**639**	30
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**639**	30

The notes on pages 34 to 71 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Creative Energy Solutions Holdings Limited (the "Company") is a public limited company domiciled and incorporated in Bermuda and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and have been suspended for trading on the Stock Exchange since 30 September 2005. Following completion of the Company's Restructuring Proposal on 29 July 2010, trading of the Company's shares on the Stock Exchange was resumed on 30 July 2010.

The Company is an investment holding company. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the address of principal place of business of the Company was 14th floor, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong and the Company moved its principal place of business to Room 1906, 19th floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong on 29 July 2010.

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

2(I). WITHDRAWAL OF WINDING-UP PETITION AND DISCHARGE OF LIQUIDATORS

On 24 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 23 May 2007 for the Company to submit a resumption proposal.

On 14 February 2007, the High Court of the Hong Kong Special Administrative Region (the "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 3 May 2007.

On 9 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 30 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 30 November 2007, 31 May 2008 and 15 December 2008 for the extension of the Agreement to 31 May 2008, 30 November 2008 and 31 May 2009 respectively.

2(I). WITHDRAWAL OF WINDING-UP PETITION AND DISCHARGE OF LIQUIDATORS *(continued)*

On 6 February 2009, the GEM Listing Committee confirmed in writing (The "Approval Letter") that the Company was allowed to proceed with the resumption proposal dated 2 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 5 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 31 August 2010.

On 17 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. Details of the Restructuring Proposal are disclosed in the note 2(II).

A creditors' meeting was convened on 9 June 2010 and the Schemes were unanimously approved by the creditors. The Hong Kong Scheme was sanctioned by the High Court on 22 June 2010. The Bermuda Scheme was sanctioned by the Supreme Court of Bermuda on 18 June 2010.

The court order for the stay of the winding up order against the Company and the release of the Liquidators was granted on 14 July 2010 by the High Court.

On 23 July 2010, the Company held a special general meeting (the "SGM") and all the resolutions set out in the notice of the SGM dated 30 June 2010 in relation to the Restructuring Proposal were duly passed by the shareholders attending and eligible to vote by way of poll at the SGM.

On 29 July 2010, all the Conditions set out in the Approval Letter issued by the Stock Exchange were fulfilled and the Liquidators were also released. The Company has submitted its application to the Stock Exchange for approval of the resumption of trading in the shares on the Stock Exchange on 30 July 2010.

2(II). RESTRUCTURING PROPOSAL

The Restructuring Proposal has been successfully implemented and completed on 29 July 2010 and details are summarised as the follows.

(i) Stage I Capital Reorganisation

The Company implemented 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 was 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 was credited to the accumulated losses account of the Company.

(b) Share subdivision

Immediately following the capital reduction, each of the Company's existing authorised but unissued share of HK$0.10 each was subdivided into 100 unissued share of HK$0.001 each. Accordingly, the authorised but unissued share capital became 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 became effective immediately after the completion of the Subscription.

Share consolidation

Every 50 issued and unissued Adjusted Shares was consolidated into one New Share. Accordingly, 100,000,000,000 issued and unissued Adjusted Shares were consolidated into 2,000,000,000 issued and unissued New Shares.

2(II). RESTRUCTURING PROPOSAL *(continued)*

(iii) Subscription

Pursuant to the Subscription Agreement, immediately after the implementation of the Stage I Capital Reorganisation, the Investor subscribed 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 was transferred to the Scheme Administrators for the creditors' settlement and the balance of the subscription proceeds was used for the working capital and investments of the Company.

(iv) Debt Restructuring

All indebtedness of the Company was restructured pursuant to the terms of the Restructuring Proposal and the Schemes. The indebtedness owing to the creditors was discharged in full via the Schemes as follows:

(a) a cash payment in the amount equivalents 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), which was 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 the completion of the Restructuring Agreement;

(c) the transfer of all subsidiaries of the Company, except Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd, 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.

2(II). RESTRUCTURING PROPOSAL *(continued)*

(v) Group Reorganisation

Under the Group Reorganisation, the structure of the Group was structured in the following manners:

(a) the Company set up Scheme Holdco as an investment holding company to hold the Other Assets;

(b) the entire interest of the Other Assets was disposed of to Scheme Holdco in consideration of HK$1;

(c) the entire interest of Scheme Holdco was disposed of to the Scheme Administrators or its nominee in consideration of HK$1.

3. BASIS OF PREPARATION

(I) Going concern

The financial statements have been prepared on a going concern basis notwithstanding the Group had net current liabilities and net liabilities of approximately RMB95 million as at 30 June 2010 because the Restructuring Proposal has been successfully implemented and completed on 29 July 2010 with (i) the injection of new equity capital of approximately HK$48.3 million (equivalent to RMB42.5 million) by the Investor and (ii) the reduction of the Group's indebtedness arising from debt restructuring. As at the date of this report, the Group has restored its liquidity to positive position.

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. Due to the loss of contact with former senior management of certain subsidiaries and lack of relevant personnel support, the directors of the Company, who are appointed on 30 January 2010, considered that the control over the following subsidiaries has been lost since 1 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 1 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 directors, the consolidated financial statements for the year ended 30 June 2010 prepared on the aforementioned basis present more fairly the results and the state of affairs of the Group as at that date as a whole in light of the loss of control of the aforesaid deconsolidated subsidiaries. Due to the lack of complete books and records of the 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 30 June 2007. Moreover, as at 30 June 2010, 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 brought forward from previous year are considered still necessary and adequate.

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 30 June 2010 and the results of the Group for the year then ended.

After the balance sheet date and upon the completion of the Restructuring Proposal, the above subsidiaries will be transferred to the Scheme Administrators and then are not part of the Group.

4. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") requires the use of certain critical accounting estimates. They have been prepared under the historical cost convention. 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 30 June each year.

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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.

(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:

Leasehold improvements	Shorter of useful lives or lease terms
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.

(c) 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.

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

(c) Financial assets *(continued)*

(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. Loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

(ii) Available-for-sale-financial assets

Investments in unquoted equity instruments whose fair value cannot be reliably measured 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.

(d) 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.

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

(e) 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.

(f) 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.

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

(g) 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.

(h) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates 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. The amount of deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. 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.

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

(h) Income tax *(continued)*

At each balance sheet date, the Group reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

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.

(i) Employee benefits

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.

(j) Borrowings

Borrowings, comprising mainly bank loans, loan from the Investor and bonds, are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between the amount initially recognised and the redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the balance sheet date.

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

(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.

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).

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

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

(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.

(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 the sales of energy saving products is recognised when the Group has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods.

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.

(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 functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

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

(m) Foreign currency translation *(continued)*

(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 profit or loss. 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 recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

(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 statement of comprehensive income 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 in other comprehensive income and accumulated separately in equity in the translation reserve.

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 recognised in other comprehensive income and accumulated separately in equity in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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

(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.

(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 charged to profit or loss 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 policies 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 the 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;

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

(p) Related parties *(continued)*

(v) the party is a close 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 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.

(q) Segment Reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

6. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRS that are first effective for the current accounting period of the Group as follows:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39
HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKAS 32 & HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations
HKFRS 8	Operating Segments
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements

6. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 3 (Revised 2008)	Business Combinations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) – Int 18	Transfers of Assets from Customers

Note 5 summaries the accounting policies of the Group, after the adoption of these developments to the extent that they are relevant to the Group. The adoption of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented except those information set out below on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements. Accordingly, no prior period adjustment has been made.

(a) HKAS 1 (Revised 2007) "Presentation of Financial Statements"

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expense in a revised statement of changes in equity. All other terms of income and expense are presented in the income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the statement of comprehensive income. In addition, the "Cash flow statement" was renamed as the "Statement of cash flows". Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) HKFRS 7 – "Financial Instruments: Disclosures"

As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures in note 30(C) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

6. CHANGES IN ACCOUNTING POLICIES *(continued)*

(c) HKFRS 8 – "Operating Segments"

HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management, and has resulted in additional reportable segments being identified and presented. Corresponding amounts have been provided on a basis consistent with the revised segment information.

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

Key assumption and other key sources of estimation uncertainty:

(i) Impairment of 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.

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

(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. SEGMENTS INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 July 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

The Board reviews the Group's internal financial reporting and other information and also obtains other relevant external information in order to assess performance and allocate resources and operating segment is identified with reference to these.

The Board considers that the business of the Group is organised in one operating segment as provision of energy saving services and sales of energy saving products. Additional disclosure in relation to segment information is not presented as the Board assesses the performance of the only operating segment identified based on the consistent information as disclosed in the consolidated financial statements.

9. TURNOVER

Turnover represents revenue arising from provision of energy saving services and sales of energy saving products. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2010 **RMB'000**	2009 RMB'000
Turnover		
Provision of energy saving services and sale of energy saving products	**11,659**	2,901

10. OTHER INCOME AND GAIN, NET

	2010 **RMB'000**	2009 RMB'000
Net exchange gain	**–**	260
Others	**10**	31
	10	291

11. FINANCE COSTS

	2010 **RMB'000**	2009 RMB'000
Interest on a bank loan wholly repayable within five years	**–**	1,388

12. 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 30 June 2010 (2009: Nil).

(iii) PRC enterprise income tax

No provision for PRC enterprise income tax has been made as the subsidiary has sustained a loss for the year (2009: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2010 **RMB'000**	2009 RMB'000
Loss before taxation	**(366)**	(1,794)
Calculated at the applicable tax rates	**(27)**	(420)
Tax effect of income not taxable for taxation purposes	**–**	(37)
Tax effect of expenses not deductible for taxation purposes	**125**	56
Tax effect of unused tax losses not recognised	**22**	401
Tax effect of other temporary differences	**(120)**	–
Taxation charge	**–**	–

13. LOSS FOR THE YEAR

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

	2010 RMB'000	2009 RMB'000
Staff costs (including directors' remuneration):		
– Salaries and other benefits	279	262
– Retirement benefits scheme contributions	29	6
Depreciation of property, plant and equipment	31	46
Allowance for impairment of trade receivables	1,280	–
Operating lease rentals of premises	333	78
Auditors' remuneration	311	351

14. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss of RMB310,000 for the year ended 30 June 2010 (2009: loss of RMB341,000) attributable to equity holders of the Company have been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

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 30 June 2010 of approximately RMB366,000 (2009: approximately RMB1,794,000) and the weighted average number of 8,800,000* (2009: 8,800,000*) ordinary shares in issue in these two years.

* *The number of ordinary shares has been adjusted as a result of the fifty-to-one share consolidation effective on 29 July 2010. The weighted average number of ordinary share issued for the year ended 30 June 2009 has been restated.*

16. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Name of Directors	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2010				
Executive Directors:				
Shum Fong Chung	–	–	–	–
Lin Rong Ying	–	–	–	–
Batchelor John Howard *(note)*	–	–	–	–
Cheng Chi Ho *(note)*	–	–	–	–
Chow Wai Shing Daniel *(note)*	–	–	–	–
Yeung Ka Wing *(note)*	–	–	–	–
Independent Non-executive Directors:				
To Sin Ning	–	–	–	–
Shi Jian Hui	–	–	–	–
Total	–	–	–	–

Note: appointed executive director on 30 January 2010

16. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

(a) Directors' emoluments *(continued)*

Name of Directors	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
2009				
Executive Directors:				
Shum Fong Chung	–	–	–	–
Lin Rong Ying	–	–	–	–
Independent Non-executive Directors:				
To Sin Ning	–	–	–	–
Shi Jian Hui	–	–	–	–
Total	–	–	–	–

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year do not include any director. The emoluments payable to these employees during the year are as follows:

	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	**278**	134
Retirement benefits scheme contributions	**28**	4
	306	138

The number of employees whose emoluments fall within the following band was as follows:

	2010	2009
RMB nil to RMB1,000,000	**5**	5

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost				
At 1 July 2008 and 30 June 2009	–	1,703	196	1,899
Additions	15	9	–	24
At 30 June 2010	15	1,712	196	1,923
Accumulated depreciation				
At 1 July 2008	–	1,672	136	1,808
Charge for the year	–	7	39	46
At 30 June 2009	–	1,679	175	1,854
Charge for the year	2	9	20	31
At 30 June 2010	2	1,688	195	1,885
Net book value				
At 30 June 2010	13	24	1	38
At 30 June 2009	–	24	21	45

18. SUBSIDIARIES

The following is a list of the subsidiaries at 30 June 2010 which have been included in these consolidated financial statements:

Name	Place of incorporation/ operations	Particulars of issued capital/ registered capital	Proportion of ownership interest Held by the Company	Held by subsidiary	Group's effective interest	Principal activities
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 saving services and sales of energy saving products
Action Win Investments Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Not yet commenced business

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

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 RMB'000	2009 RMB'000
Unlisted equity securities, at cost		
At beginning and at end of the year	**18,199**	18,199
Impairment		
At beginning and at end of the year	**18,199**	18,199
Carrying value		
At end of the year	**–**	–
At beginning of the year	**–**	–

Unlisted equity securities of the Group are not stated at fair value but at cost less impairment losses, because they do not have a quoted market price on active market. The range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

20. INVENTORIES

	2010 RMB'000	2009 RMB'000
Consumables stores	**459**	456
Work in progress	**–**	53
	459	509

No inventories were carried at net realisable value at 30 June 2010 (2009: Nil).

The amount of inventories recognised as an expense and included in the consolidated statement of comprehensive income is RMB9,719,000 (2009: RMB2,399,000).

21. TRADE AND OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Trade receivables *(note a)*	**10,377**	7,045
Less: Allowance for impairment	**(1,280)**	(862)
	9,097	6,183
Other receivables *(note b)*	**5,609**	32,112
Less: Allowance for impairment	**–**	(25,075)
	5,609	7,037
	14,706	13,220
Deposits	**81**	79
Prepayments	**28**	30
	14,815	13,329

The directors considered that the carrying amount of trade and other receivables approximates to their fair value.

21. TRADE AND OTHER RECEIVABLES *(continued)*

Note a: The credit period granted by the Group to its customers is generally 90 days. The ageing analysis of trade receivables is as follows:

	2010 **RMB'000**	2009 RMB'000
Within 1 year	**7,446**	1,173
1 to 3 years	**30**	30
Over 3 years	**2,901**	5,842
	10,377	7,045

The movements on the allowance for impairment of trade receivables of the Group are as follows:

	2010 **RMB'000**	2009 RMB'000
At beginning of the year	**862**	862
Impairment loss recognised	**1,280**	–
Uncollectible amounts written off	**(862)**	–
At end of the year	**1,280**	862

At 30 June 2010, trade receivables of RMB1,651,000 (2009: RMB5,510,000) were past due but not impaired. The ageing analysis of these receivables are as follows:

	2010 **RMB'000**	2009 RMB'000
Within 1 year	**–**	500
1 to 3 years	**–**	30
Over 3 years	**1,651**	4,980
	1,651	5,510

Note b: As at 30 June 2010, other receivables of RMB5,609,000 were past due but not impaired. The amounts of other receivables of RMB25,075,000 brought forward from previous years were past due and full amount of impairment had been made previously. After taking the advice from the Company's PRC lawyers, the directors of the Company considered that the recoverability of these receivables was remote and the whole amount was written off during the year.

22. TRADE AND OTHER PAYABLES

	2010	2009
	RMB'000	RMB'000
Trade payables *(note a)*	**8,936**	4,503
Other payables and accruals *(notes a and b)*	**11,010**	13,766
Amounts due to the deconsolidated subsidiaries *(note b)*	**48,427**	48,427
	68,373	66,696

The ageing analysis of trade payables is as follows:

	2010	2009
	RMB'000	RMB'000
Within 1 year	**6,967**	1,336
Over 1 year	**1,969**	3,167
	8,936	4,503

Note a: After the balance sheet date and upon the completion of the Schemes of Arrangement, the amounts due to Scheme Creditors of approximately of RMB5,486,000 as included in the trade payables, other payables and accruals will be discharged and waived.

Note b: Included in other payables and accruals and the amounts due to the deconsolidated subsidiaries of RMB5,132,000 and RMB48,427,000 respectively will also be treated as wholly and irrevocably discharged and released according to the Schemes of Arrangement subsequent to the balance sheet date.

23. FINANCIAL GUARANTEE TO A DECONSOLIDATED SUBSIDIARY

The banking facilities of the deconsolidated subsidiary were secured by the financial guarantee issued by the Company. On the basis of the available books and records to the directors, the directors are not aware of any significant discrepancy of the abovementioned financial guarantee to that deconsolidated subsidiary.

The amounts claimed by the bank in respect of the above financial guarantee are included in the Schemes of Arrangement as Scheme Creditors and will be discharged and waived upon its completion subsequent to the balance sheet date.

24. BORROWINGS

At 30 June 2010, the analysis of borrowings were as follows:

	2010 RMB'000	2009 RMB'000
Unsecured bank loans *(note 1)*	**12,801**	12,801
Secured loan from the Investor *(note 2)*	**836**	109
	13,637	12,910

Included in borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2010	2009
United States dollars	**1,874,000**	1,874,000

Notes:

1. The loan facility of a subsidiary is secured by corporate guarantee given by the Company. The amounts claimed by the lender in respect of the above bank loans guaranteed by the Company are included in the Schemes of Arrangement as Scheme Creditors and will be discharged and waived upon its completion subsequent to the balance sheet date. No interest was accrued in respect of the above bank loans as it was stated in the Schemes of Arrangement that no claim for interest would be made for any period after granting of the Winding-up Order on 14 February 2007.

2. The share of Action Win Investments Limited, a subsidiary of the Company, has been pledged in favour of the Investor for the loan draw down. The loan is interest free and repayable within 12 months after the date of loan agreement.

25. AMOUNTS DUE TO COUPON BOND HOLDERS

The 2.5% coupons bonds (the "Bonds") with warrants attached, having an aggregate principal amount of US$4,500,000 (equivalents to approximately RMB37,206,000), were issued on 1 November 2002 and have been matured on 1 November 2008. 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 1 November each year. As at 30 June 2010, according to the books and records of the Company, the bonds were repayable as follows:

	2010 **RMB'000**	2009 RMB'000
Within one year	**22,356**	22,356

The amounts due to the coupon bond holders are included in the Schemes of Arrangement as Scheme Creditors and will be discharged and waived upon its completion subsequent to the balance sheet date. As stated in the Schemes of Arrangement, no interest would be claimed for any period after granting of the Winding-up Order on 14 February 2007.

26. SHARE CAPITAL

	2010		2009	
	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 beginning and end of the year	**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 beginning and end of the year	**440,000**	**46,640**	440,000	46,640

27. DEFERRED TAXATION

No provision for deferred taxation has been recognised in the financial statements of the Group as the amount involved is insignificant.

Deferred tax assets have not been recognised in respect of the following items:

	2010 RMB'000	2009 RMB'000
Unused tax losses	**13,987**	14,977

No deferred tax asset has been recognised in respect of such loss due to unpredictability of future profit streams.

The unused tax losses will be expired in five years.

28. OPERATING LEASE COMMITMENTS

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. As at 30 June 2010, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	2010 RMB'000	2009 RMB'000
Within one year	**237**	250
In the second to fifth years, inclusive	**–**	221
	237	471

29. RELATED PARTY TRANSACTION

There was no related party transactions during the year (2009: Nil).

Compensation of key management personnel

No remuneration has been paid or payable to the directors and the members of key management during the year (2009: Nil).

30. FINANCIAL RISK MANAGEMENT

(A) Financial instruments

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	
	2010	2009
	RMB'000	RMB'000
Assets per balance sheet		
Trade receivables, net *(note 21)*	**9,097**	6,183
Other receivables, net *(note 21)*	**5,690**	7,116
Cash and cash equivalents	**639**	30
	15,426	13,329

	Financial liabilities at amortised cost	
	2010	2009
	RMB'000	RMB'000
Liabilities per balance sheet		
Trade payables *(note 22)*	**8,936**	4,503
Other payables and accruals *(note 22)*	**11,010**	13,766
Financial guarantee to a deconsolidated subsidiary *(note 23)*	**6,874**	6,874
Amounts due to the deconsolidated subsidiaries	**48,427**	48,427
Borrowings *(note 24)*	**13,637**	12,910
Amounts due to coupon bond holders *(note 25)*	**22,356**	22,356
	111,240	108,836

All of the above financial instruments are carried at amounts not materially different from their fair value as at 30 June 2010 and 2009.

30. FINANCIAL RISK MANAGEMENT *(continued)*

(B) Financial risk factors

The Group is exposed to market risk, credit risk and liquidity risk arising in the normal course of its business and financial instruments. The Group's risk management objectives, policies and processes focus mainly on minimising the potential adverse effect of these risks on is financial performance and position by closely monitoring the individual exposure.

(a) Market risk

(i) Cash flow interest rate risk

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

(ii) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities except for a United States dollars bank loan. As the fluctuation in exchange rate between United States dollars and Renminbi is minimal, the Group's exposure to currency exchange risk is insignificant.

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents.

In respect of trade and other receivables, individual credit evaluations are performed on all debtors requiring credit over a certain amount. These evaluations focus on the debtors' past history of making payments when due and current ability to pay, and take into account information specific to the debtors as well as pertaining to the economic environment in which the debtor operates.

30. FINANCIAL RISK MANAGEMENT *(continued)*

(B) Financial risk factors *(continued)*

(b) Credit risk (continued)

Normally, the Group does not obtain collateral from customers. At 30 June 2010, the Group has a certain concentration of credit risk as 82% (2009: 19%) of the total trade receivables were due from the five largest clients and the maximum exposure to credit risk is represented by the carrying amount of each financial asset recognised at the balance sheet.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

The Group is exposed to liquidity risk on financial liabilities. It manages its funds conservatively by maintaining a comfortable level of cash and bank balances in order to meet continuous operational need.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The remaining contractual maturities at the balance sheet date of the Group's financial liabilities are all within one year or are repayable on demand, given it is proposed that all indebtedness of the Group will be restructured pursuant to the terms of the Restructuring Proposal and the Schemes.

(C) Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, trade and other receivables and financial liabilities including borrowings, financial guarantee to a deconsolidated subsidiary, amounts due to coupon bond holders, trade and other payables approximate their fair values due to their short maturities.

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 the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. As at 30 June 2010, the Group did not maintain sufficient liquid funds and had net current liabilities of approximately RMB95,327,000 (2009: approximately RMB94,968,000).

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.

32. EMPLOYEE RETIREMENT BENEFITS

The Group has arranged its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the group entities and its Hong Kong employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Scheme Ordinance and up to a maximum of HK$1,000 per employee per month (the "MPF Contributions").

Employees who are employed by the subsidiary in the PRC are members of the state-managed pension scheme operated by the PRC government. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

33. EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, the following events were taken place:

On 17 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. Details of the Restructuring Proposal are disclosed in the note 2(II).

A creditors' meeting was convened on 9 June 2010 and the Schemes were unanimously approved by the creditors. The Hong Kong Scheme was sanctioned by the High Court on 22 June 2010. The Bermuda Scheme was sanctioned by the Supreme Court of Bermuda on 18 June 2010.

The court order for the stay of the Winding-up Order against the Company and the release of the Liquidators was granted on 14 July 2010 by the High Court.

On 23 July 2010, the Company held a special general meeting (the "SGM") and all the resolutions set out in the notice of the SGM dated 30 June 2010 in relation to the Restructuring Proposal were duly passed by the shareholders attending and eligible to vote by way of poll at the SGM.

On 29 July 2010, all the Conditions set out in the Approval Letter issued by the Stock Exchange were fulfilled and the Liquidators were also released. The above Restructuring Proposal was also completed on that date. Details are set out in the Company's announcement dated 29 July 2010 and the Company's circular dated 30 June 2010.

The Company has submitted its application to the Stock Exchange for approval of the resumption of trading in the shares on the Stock Exchange on 30 July 2010.

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2010

The Group has not early adopted any new and revised HKFRS that have been issued but are not yet effective for the current year. The Group has already commenced an assessment of the impact of these new and revised HKFRS but is not yet in a position to reasonably estimate whether these new and revised HKFRS would have a significant impact on the Group's results of operations and financial position.

35. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (Revised 2007), Presentation of Financial Statements, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 6.

Financial Summary

As at 30 June 2010

	Years ended 30 June				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**11,659**	2,901	11,956	2,643	4,449
Loss attributable to equity holders of the Company	**(366)**	(1,794)	(15,342)	(189,536)	(3,972)
Assets and liabilities					
Total assets	**15,951**	13,913	13,941	43,849	232,372
Total liabilities and minority interests	**(111,240)**	(108,836)	(107,070)	(98,366)	(96,503)
Total equity	**(95,289)**	(94,923)	(93,129)	(54,517)	135,869