



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2011

Interim Report



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This report, for which the directors (the “Directors”) of 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 GEM of the Stock Exchange (the “GEM Listing Rules”) 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 report misleading.

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF CREATIVE ENERGY SOLUTIONS HOLDINGS
LIMITED**

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 16 which comprises the condensed consolidated balance sheet of Creative Energy Solutions Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 31 December 2010 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

TING HO KWAN & CHAN

Certified Public Accountants (Practising)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

The board of directors (the “Board”) of Creative Energy Solutions Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 31 December 2010 together with the comparative unaudited consolidated figures for the corresponding periods in 2009, as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)*FOR THE SIX MONTHS ENDED 31 DECEMBER 2010*

	<i>Notes</i>	Three months ended		Six months ended	
		31 December	2009	31 December	2009
		2010	2009	2010	2009
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	4	2,099	5,217	4,328	5,220
Cost of sales/services		<u>(2,043)</u>	<u>(5,150)</u>	<u>(4,227)</u>	<u>(5,150)</u>
Gross profit		56	67	101	70
Gain on debt restructuring, net	5	—	—	90,428	—
Other income		15	1	17	10
General and administrative expenses		<u>(6,858)</u>	<u>(188)</u>	<u>(8,438)</u>	<u>(272)</u>
Profit/(loss) from operations		(6,787)	(120)	82,108	(192)
Finance costs		<u>—</u>	<u>(355)</u>	<u>—</u>	<u>(709)</u>
Profit/(loss) before taxation	6	(6,787)	(475)	82,108	(901)
Taxation	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit/(loss) for the period		<u>(6,787)</u>	<u>(475)</u>	<u>82,108</u>	<u>(901)</u>
Attributable to:					
Equity holders of the Company		<u>(6,787)</u>	<u>(475)</u>	<u>82,108</u>	<u>(901)</u>
			(Restated)		(Restated)
Earnings/(loss) per share					
Basic	8	<u>(3.86) cents</u>	<u>(5.40) cents</u>	<u>54.54 cents</u>	<u>(10.24) cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Three months ended		Six months ended	
	31 December		31 December	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Profit/(loss) for the period	(6,787)	(475)	82,108	(901)
Other comprehensive income:				
Exchange differences on translating foreign operations	<u>(554)</u>	<u>8</u>	<u>(911)</u>	<u>10</u>
Total comprehensive income/ (expense) for the period	<u>(7,341)</u>	<u>(467)</u>	<u>81,197</u>	<u>(891)</u>
Attributable to:				
Equity holders of the Company	<u>(7,341)</u>	<u>(467)</u>	<u>81,197</u>	<u>(891)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2010

		31 December	30 June
		2010	2010
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		258	38
Available-for-sale financial assets	9	—	—
		<u>258</u>	<u>38</u>
CURRENT ASSETS			
Inventories		812	459
Trade and other receivables	10	13,106	14,815
Cash and bank balances		24,768	639
		<u>38,686</u>	<u>15,913</u>
CURRENT LIABILITIES			
Trade and other payables	11	9,849	68,373
Financial guarantee to a deconsolidated subsidiary		—	6,874
Borrowings	12	803	13,637
Amounts due to bond holders		—	22,356
		<u>10,652</u>	<u>111,240</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>28,034</u>	<u>(95,327)</u>
NET ASSETS/(LIABILITIES)		<u>28,292</u>	<u>(95,289)</u>
CAPITAL AND RESERVES			
Capital	13	7,774	46,640
Reserves		20,518	(141,929)
Total equity attributable to equity holders of the Company		<u>28,292</u>	<u>(95,289)</u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 July 2009	46,640	51,006	7,719	(200,288)	(94,923)
Total comprehensive income/(expense) for the period	—	—	10	(901)	(891)
At 31 December 2009	<u>46,640</u>	<u>51,006</u>	<u>7,729</u>	<u>(201,189)</u>	<u>(95,814)</u>
At 1 July 2010	46,640	51,006	7,719	(200,654)	(95,289)
Capital reduction	(46,174)	—	—	46,174	—
Issue of ordinary shares	7,308	35,076	—	—	42,384
Total comprehensive income/(expense) for the period	—	—	(911)	82,108	81,197
At 31 December 2010	<u>7,774</u>	<u>86,082</u>	<u>6,808</u>	<u>(72,372)</u>	<u>28,292</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

	Six months ended	
	31 December	
	2010	2009
	RMB'000	<i>RMB'000</i>
Net cash (used in)/generated from operating activities	(7,984)	214
Net cash used in investing activities	(249)	(27)
Net cash generated from financing activities	<u>32,364</u>	<u>381</u>
Net cash increase in cash and cash equivalents	24,131	568
Cash and cash equivalents at the beginning of the period	639	30
Effect of foreign exchange rate changes, net	<u>(2)</u>	<u>10</u>
Cash and cash equivalents at end of the period	<u>24,768</u>	<u>608</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL INFORMATION:**1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The unaudited interim financial statements for the six months ended 31 December 2010 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited.

These unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements for the year ended 30 June 2010. They have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2010 except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRS”) that are adopted for the first time for the current period’s financial information.

HKFRS 2 (Amendment)	Group cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedged Items
HK(IFRIC) — Int 17 (Amendment)	Distributions of Non-Cash Assets to Owners
Improvements to HKFRSs 2009	

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

2. ORGANISATION AND OPERATIONS

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”).

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

3. RESTRUCTURING PROPOSAL

The Restructuring Proposal has been successfully implemented and completed on 29 July 2010, details of the Restructuring Proposal are set out in the circular (“Circular”) dated 30 June 2010 issued to the shareholders of the Company.

Principal terms of Restructuring Proposal are summarised below. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless otherwise defined.

(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 of a total of 440,000,000 shares was credited to the accumulated losses account of the Company.

(b) Share subdivision

Immediately following the capital reduction, each of the Company's then existing authorised but unissued share of HK\$0.10 each was subdivided into 100 unissued share of HK\$0.001 each.

Accordingly, upon the completion of Stage I Capital Reorganisation, the authorised but unissued share capital was become HK\$99,560,000 divided into 99,560,000,000 Adjusted Shares of HK\$0.001 each and the issued share capital was HK\$440,000 divided into 440,000,000 Adjusted Shares of HK\$0.001 each.

(ii) Stage II Capital Reorganisation

The Stage II Capital Reorganisation comprises the share consolidation which became effective immediately after 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.

(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\$3.1 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 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\$3.1 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 completion of the Restructuring Agreement;
- (c) the transfer of all subsidiaries of the Company, except Beijing Creative, Easy Union Holdings Limited, Rising Dragon International Limited and Action Win Investments Limited, and all rights and benefits of the Company to pursue claims from third parties (collectively referred to “Other Assets”) to the Scheme Administrators or its nominees for the benefit of the Creditors under the Group Reorganisation.

(v) Group Reorganisation

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

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

4. TURNOVER

Turnover represents revenue arising from provision of energy saving services and sales of energy saving products.

	Three months ended		Six months ended	
	31 December		31 December	
	(Unaudited)		(Unaudited)	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
Provision of energy saving services and sale of energy saving products	2,099	5,217	4,328	5,220

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, mainly in the PRC. 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 condensed consolidated financial statements.

5. GAIN ON DEBT RESTRUCTURING, NET

Pursuant to the debt restructuring of the Group, the gain on debt restructuring is as follows:

	Three months ended 31 December (Unaudited)		Six months ended 31 December (Unaudited)	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Debt waived/discharged	—	—	101,074	—
Cash paid to the Creditors	—	—	(2,722)	—
Restructuring cost	—	—	(7,701)	—
New shares allotted and issued	—	—	(223)	—
	<u>—</u>	<u>—</u>	<u>90,428</u>	<u>—</u>

6. PROFIT/(LOSS) BEFORE TAXATION

	Three months ended 31 December (Unaudited)		Six months ended 31 December (Unaudited)	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Depreciation	14	2	29	3
Operating lease rentals	145	87	230	168
Allowance for impairment of trade and other receivables	5,564	—	5,564	—
	<u>5,723</u>	<u>89</u>	<u>5,823</u>	<u>171</u>

7. TAXATION

(i) Overseas income tax

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. The Company's subsidiaries established in British Virgin Islands are incorporated under the International Business Companies Acts of 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 assessable profits during the period (2009: Nil).

(iii) PRC enterprise income tax

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

8. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Three months ended 31 December 2010 (Unaudited) RMB'000	Six months ended 31 December 2010 (Unaudited) RMB'000
Profit/(loss) for the period attributable to equity holders of the Company	<u><u>(6,787)</u></u>	<u><u>82,108</u></u>
	Number of shares '000	Number of shares '000
Number of ordinary shares:		
Issued ordinary shares at the beginning of the period	176,000	440,000
Effect of share issued through the Subscription	—	7,050,522
Effect of share consolidation	—	(7,340,711)
Effect of shares issued to the Creditors	—	746
	<u>176,000</u>	<u>150,557</u>
Weighted average number of ordinary shares at the end of the period	<u><u>176,000</u></u>	<u><u>150,557</u></u>
	Three months ended 31 December (Unaudited) 2010 RMB	Six months ended 31 December (Unaudited) 2010 RMB
	2009 RMB (Restated)	2009 RMB (Restated)
Earnings/(loss) per share	<u><u>(3.86) cents</u></u>	<u><u>54.54 cents</u></u>
	<u><u>(5.40) cents</u></u>	<u><u>(10.24) cents</u></u>

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the three and six months ended 31 December 2009 of approximately RMB475,000 and RMB901,000 respectively and the weighted average number of 8,800,000* ordinary shares in issue in the period.

* 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 shares issued for the three and six months ended 31 December 2010 has been restated.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	At 31 December 2010 (Unaudited) RMB'000	At 30 June 2010 (Audited) RMB'000
Unlisted equity securities, at cost		
At beginning and at end of the reporting period	18,199	18,199
Impairment		
At beginning and at end of the reporting period	<u>18,199</u>	<u>18,199</u>
Carrying value		
At end of the reporting period	<u>—</u>	<u>—</u>
At beginning of the reporting period	<u>—</u>	<u>—</u>

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.

10. TRADE AND OTHER RECEIVABLES

	At 31 December 2010 (Unaudited) RMB'000	At 30 June 2010 (Audited) RMB'000
Trade receivables	11,716	10,377
<i>Less: allowance for impairment</i>	<u>(2,931)</u>	<u>(1,280)</u>
	<u>8,785</u>	<u>9,097</u>
Other receivables	7,894	5,609
<i>Less: allowance for impairment</i>	<u>(3,913)</u>	<u>—</u>
	<u>3,981</u>	<u>5,609</u>
Deposits	12,766	14,706
Prepayments	260	81
	<u>80</u>	<u>28</u>
	<u>13,106</u>	<u>14,815</u>

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

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

	At 31 December 2010 (Unaudited) <i>RMB'000</i>	At 30 June 2010 (Audited) <i>RMB'000</i>
Within 1 year	8,785	7,446
1 to 3 years	30	30
Over 3 years	2,901	2,901
	<u>11,716</u>	<u>10,377</u>

11. TRADE AND OTHER PAYABLES

	At 31 December 2010 (Unaudited) <i>RMB'000</i>	At 30 June 2010 (Audited) <i>RMB'000</i>
Trade payables	8,387	8,936
Other payables and accruals	1,462	11,010
Amounts due to the deconsolidated subsidiaries	—	48,427
	<u>9,849</u>	<u>68,373</u>

The ageing analysis of the Group's trade payables is as follows:

	At 31 December 2010 (Unaudited) <i>RMB'000</i>	At 30 June 2010 (Audited) <i>RMB'000</i>
Within 1 year	8,387	6,967
Over 1 year	—	1,969
	<u>8,387</u>	<u>8,936</u>

12. BORROWINGS

At 31 December 2010, the analysis of borrowings were as follows:

	At 31 December 2010 (Unaudited) RMB'000	At 30 June 2010 (Audited) RMB'000
Unsecured bank loans	—	12,801
Secured loan from the holding company	803	836
	803	13,637

Note:

The one issued share of Action Win Investments Limited, a wholly-owned subsidiary of the Company, has been pledged in favour of the holding company for the loan granted to the Company. The loan is interest free and repayable within 12 months after the date of loan agreement.

13. SHARE CAPITAL

On 29 July 2010, the Company has undergone a restructuring pursuant to the Restructuring Agreement:

	Number of share '000	Amount HK\$'000	Shown in financial statements RMB'000
Authorised:			
At 1 July 2010			
Ordinary shares of HK\$0.10 each	1,000,000	100,000	106,000
Effect of share subdivision (<i>Note 3(i)(b)</i>)	<u>99,000,000</u>	<u>—</u>	<u>—</u>
Ordinary shares of HK\$0.001 each	100,000,000	100,000	106,000
Effect of share consolidation (<i>Note 3(ii)</i>)	<u>(98,000,000)</u>	<u>—</u>	<u>—</u>
At 31 December 2010			
Ordinary shares of HK\$0.05 each	<u>2,000,000</u>	<u>100,000</u>	<u>106,000</u>

	Number of share '000	Amount HK\$'000	Shown in financial statements RMB'000
Ordinary shares issued and fully paid:			
At 1 July 2010			
Ordinary shares of HK\$0.1 each	440,000	44,000	46,640
Capital reduction (<i>Note 3(i)(a)</i>)	—	(43,560)	(46,174)
Issue of ordinary shares through the Subscription (<i>Note 3(iii)</i>)	<u>8,316,000</u>	<u>8,316</u>	<u>7,269</u>
Ordinary shares of HK\$0.001 each	8,756,000	8,756	7,735
Effect of share consolidation (<i>Note 3(ii)</i>)	<u>(8,580,000)</u>	<u>—</u>	<u>—</u>
	175,120	8,756	7,735
Issue of ordinary shares to the Creditors (<i>Note 3(iv)(b)</i>)	<u>880</u>	<u>44</u>	<u>39</u>
At 31 December 2010			
Ordinary shares of HK\$0.05 each	<u><u>176,000</u></u>	<u><u>8,800</u></u>	<u><u>7,774</u></u>

14. OPERATING LEASE COMMITMENT

As lessee

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

	At 31 December 2010 (Unaudited) RMB'000	At 30 June 2010 (Audited) RMB'000
Within one year	807	237
In the second to fifth years, inclusive	<u>513</u>	<u>—</u>
	<u><u>1,320</u></u>	<u><u>237</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover decreased by approximately 17% to approximately RMB4,328,000 for the six months ended 31 December 2010 from approximately RMB5,220,000 for the six months ended 31 December 2009. The consolidated gain attributable to shareholders of the Group amounted to approximately RMB82,108,000 for the six months ended 31 December 2010 (2009: loss of RMB901,000). The consolidated gain from operation of the Group was mainly attributable to the gain on debt restructuring of approximately RMB90,428,000. Save and except for the gain on debt restructuring, the Group incurred consolidated loss of RMB8,320,000 from its operation of the provision of energy saving services and sales of energy saving products. Due to gain on debt restructuring, the basic earnings per share was increased by approximately RMB64.78 cents for the six months ended 31 December 2010 (2009: loss of RMB10.24 cents).

Business Review and Prospects

Restructuring was completed on 29 July 2010. For the period under review, the Group recorded an operation loss which included an allowance for impairment of trade and other receivables due to ageing receivable of RMB5,564,000, thus the net operating loss should be of RMB8,320,000. During the period under review, since the resumption of trading, the cost of employees and cost of preparation work for normal business have increased accordingly.

In order to reinforce the Company's core competitiveness, the Group has completed a number of technology enhancements and upgrades and created a new product series known as "SAVIN 3000". Three patent applications have been submitted, two of which have already been approved. It is expected that the third patent application will be approved within this year.

To further enhance its business development and performance, the Group has put great efforts to formulate a new business strategy for focusing on green lighting system, intelligent energy saving building management system and green industrial management system. The Group has also dedicated to improve the internal operation efficiency by streamlining its management and financial systems. Primarily focusing on the PRC market, the Group has also successfully established a widened business network and client base. By implementing such measures, the Group was able to capture a significant presence in the energy saving solution market and was in the process of negotiation with several major clients for provision of energy saving solutions.

Prospects

Being one of the pioneers of energy saving solution providers in China, the group is greatly benefitted from the recent global attention and increasing awareness on sustainability and environmental protection. The Group has devised a clear business strategy based on its core competence of patented core energy saving technique, proven past track record and a team of experienced professional staff. The Group will continuously dedicate good efforts in technology enhancement through its internal research and development capacity. The Group is also looking for possible business expansion opportunities through merger and acquisition. On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to the shareholders in view of the promising market outlook.

Liquidity and Financial Resources

Cash and bank balances as at 31 December 2010 was approximately RMB24,768,000 (2009: RMB639,000). At 31 December 2010, the Group's current ratio was 3.6, based on the current assets of RMB38,686,000 and current liabilities of RMB10,652,000. The gearing ratio was approximately 37% as at 31 December 2010. No gearing ratio was available for the period ended 31 December 2009 as the Group was in a negative equity position. The gearing ratio is calculated as current liabilities divided by total equity.

Exposure to fluctuations in exchange rates and related hedges

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

Capital Structure

As at 31 December 2010, the Company's total number of issued shares was 176,000,000 shares of HK\$0.05 each (2009: 440,000,000 shares of HK\$0.10 each).

Acquisition/Disposal and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries during the six months ended 31 December 2010.

Capital Commitments

As at 31 December 2010, the Group did not have any capital commitments.

Contingent Liabilities

As at 31 December 2010, the Directors are not aware of any material contingent liabilities.

Employees and Remuneration Policies

At 31 December 2010, the Group had 19 (2009: 6) full-time employees. Staff costs amounted to approximately RMB1,079,000 for the six months ended 31 December 2010 (2009: RMB45,000). The Group's remuneration policy remained the same as detailed in the Company's 2010 annual report.

DIVIDEND

The directors do not recommend the payment of any dividend for the period ended 31 December 2010 (2009: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference, for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The unaudited financial results for the six months ended 31 December 2010 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN INTERESTS

At 31 December 2010, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors were as follows:

Name of Directors	Nature of interest	Note	Number of issued ordinary shares held	Approximate percentage of total issued shares as at 31 December 2010
Mr. Xu Bo	Corporate	(1)	127,057,440	72.19%
Mr. Wu Chun Wah	Corporate	(1)	127,057,440	72.19%

Notes:

- (1) The interest disclosed represents the corporate interest in 127,057,440 shares held by Million Sino Investments Limited, which is a company incorporated in the British Virgin Islands and is owned as to 50% by each of Mr. Xu Bo and Mr. Wu Chun Wah.
- (2) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above and in the Section under the heading “Substantial Shareholders’ Interest in Securities” below, as at 31 December 2010, none of the directors and chief executive of the Company or their associates had or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS’ INTEREST IN SECURITIES

At 31 December 2010, the following shareholders save as disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” above for interests of Mr. Xu Bo and Mr. Wu Chun Wah and each of their associates including Million Sino Investments Limited, in shares and underlying shares of the Company, the following persons had or deemed to have an interest in the shares and the underlying shares of the Company which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Note	Number of issued ordinary shares held	Approximate percentage of total issued shares as at 31 December 2010
Ms. Chen Li	Interest of spouse	(1)	127,057,440	72.19%
Ms. Lee Siu Yee, Brenda	Interest of spouse	(2)	127,057,440	72.19%

Notes:

- (1) Ms. Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 127,057,440 shares in which Mr Xu Bo is deemed to be interested.
- (2) Ms. Lee Siu Yee, Brenda, the spouse of Mr. Wu Chun Wah, is deemed to be interested in such 127,057,440 shares in which Mr. Wu Chun Wah is deemed to be interested.
- (3) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, the Company had not been notified of any interests or short positions held or being deemed to be held by any substantial shareholder (not being a director or chief executive of the Company) in the shares or underlying shares of the Company as at 31 December 2010.

SHARE OPTION SCHEME

The Company adopted the share option scheme (the “Scheme”) on 5 November 2010, pursuant to which the Directors of the Company may, at their discretion, invite any full-time or part-time employees or potential employees, executives or officers (including executive, non-executive directors and independent non-executive directors) of the Company or any of the subsidiaries of the Group and any suppliers, customers, consultants, agents and advisers who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any of the subsidiaries of the Group, to take up options to subscribe for Shares. As at 31 December 2010, no options had been granted under the Scheme.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at 31 December 2010, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group during the period.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (“CG Code”) contained in Appendix 15 of the Growth Enterprise Market throughout the six months ended 31 December 2010, except the following deviation:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific terms, subject to re-election. The Company has deviated from the 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 time interest 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.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the six months ended 31 December 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2010.

By order of the Board

Xu Bo

Chairman

Hong Kong, 22 February 2011

As at the date of this report, the Board comprises Mr. Xu Bo, Mr. Wu Chun Wah as the executive directors; and Mr. Cheong Ying Chew, Henry, Mr. Leung Heung Ying, Alvin and Dr. Zhao Bin as the independent non-executive directors.