



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)



2012
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 15, which comprises the condensed consolidated balance sheet of Creative Energy Solutions Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2011 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The GEM Listing 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” (“HKAS 34”) 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 HKAS 34. 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 HKAS 34.

TING HO KWAN & CHAN

Certified Public Accountants (Practising)

Hong Kong, 9 February 2012

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

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 2011 together with the comparative unaudited consolidated figures for the corresponding periods in 2010, as set out below:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

		Three months ended 31 December		Six months ended 31 December	
	<i>Note</i>	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Turnover	4	9,020	2,099	15,553	4,328
Cost of sales		<u>(8,489)</u>	<u>(2,043)</u>	<u>(14,912)</u>	<u>(4,227)</u>
Gross profit		531	56	641	101
Gain on debt restructuring, net	5	—	—	—	90,428
Other income		8	15	8	17
Distribution costs		(459)	—	(942)	—
General and administrative expenses		<u>(3,526)</u>	<u>(6,858)</u>	<u>(4,941)</u>	<u>(8,438)</u>
(Loss)/profit before taxation	6	(3,446)	(6,787)	(5,234)	82,108
Taxation	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
(Loss)/profit for the period attributable to equity holders of the Company		(3,446)	(6,787)	(5,234)	82,108
Other comprehensive income:					
Exchange difference arising from translation of financial statements		<u>(26)</u>	<u>(554)</u>	<u>(248)</u>	<u>(911)</u>
Total comprehensive (expense)/income for the period attributable to equity holders of the Company		<u>(3,472)</u>	<u>(7,341)</u>	<u>(5,482)</u>	<u>81,197</u>
Earnings/(loss) per share					
Basic and diluted	8	<u>(1.96 cents)</u>	<u>(3.86 cents)</u>	<u>(2.97 cents)</u>	<u>54.54 cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET*AS AT 31 DECEMBER 2011*

	<i>Note</i>	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		199	255
Available-for-sale financial assets	9	—	—
		199	255
CURRENT ASSETS			
Inventories		1,278	173
Trade and other receivables	10	23,736	19,476
Cash and cash equivalents		12,358	24,103
		37,372	43,752
CURRENT LIABILITIES			
Trade and other payables	11	13,919	16,643
Borrowings	12	373	790
		14,292	17,433
NET CURRENT ASSETS		23,080	26,319
NET ASSETS		23,279	26,574
CAPITAL AND RESERVES			
Share capital	13	7,774	7,774
Reserves		15,505	18,800
Total equity attributable to equity holders of the Company		23,279	26,574

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Share capital RMB '000	Share premium RMB '000	Share option reserve RMB '000	Translation reserve RMB '000	Accumulated losses RMB '000	Total RMB '000
At 1 July 2010 (Audited)	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 (expense)/ income for the period	—	—	—	(911)	82,108	81,197
At 31 December 2010 (Unaudited)	<u>7,774</u>	<u>86,082</u>	<u>—</u>	<u>6,808</u>	<u>(72,372)</u>	<u>28,292</u>
At 1 July 2011 (Audited)	7,774	86,082	5,074	5,913	(78,269)	26,574
Total comprehensive income/ (expense) for the period	—	—	2,187	(248)	(5,234)	(3,295)
At 31 December 2011 (Unaudited)	<u>7,774</u>	<u>86,082</u>	<u>7,261</u>	<u>5,665</u>	<u>(83,503)</u>	<u>23,279</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

	Six months ended	
	31 December	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(11,018)	(7,984)
Net cash used in investing activities	—	(249)
Net cash (used in)/generated from financing activities	(398)	32,364
Net (decrease)/increase in cash and cash equivalents	(11,416)	24,131
Cash and cash equivalents at the beginning of the period	24,103	639
Effect of foreign exchange rate changes, net	(329)	(2)
Cash and cash equivalents at the end of the period	12,358	24,768

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 31 December 2011 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 (“HKICPA”) and the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2011. They have been prepared on the historical cost basis.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 June 2011. This condensed consolidated interim financial information has not been audited.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards. For those which are effective for accounting periods beginning on 1 July 2011, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

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 of The Stock Exchange of Hong Kong Limited.

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. SEGMENTS INFORMATION

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 condensed consolidated financial statements.

The total segment income is equivalent to total comprehensive income for the period as shown in the condensed consolidated statement of comprehensive income and the total segment assets are equivalent to the sum of current and non-current assets and the total segment liabilities are equivalent to the current liabilities as shown in the condensed consolidated balance sheet. Consequently, no operating segment analysis is presented.

As all the Group's revenue and business activities are conducted in the PRC, analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented.

4. TURNOVER

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

	Three months ended 31 December		Six months ended 31 December	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Provision of energy saving services and sales of energy saving products	<u>9,020</u>	<u>2,099</u>	<u>15,553</u>	<u>4,328</u>

5. GAIN ON DEBT RESTRUCTURING, NET

	Three months ended 31 December		Six months ended 31 December	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Gain on debts waived	—	—	—	101,074
Restructuring cost	<u>—</u>	<u>—</u>	<u>—</u>	<u>(10,646)</u>
	<u>—</u>	<u>—</u>	<u>—</u>	<u>90,428</u>

6. (LOSS)/PROFIT BEFORE TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (including directors' remuneration):				
— Salaries and other benefits	790	593	1,769	1,054
— Retirement benefits scheme contributions	11	13	23	22
— Equity-settled share-based payments	2,219	—	2,219	—
	3,020	606	4,011	1,076
Cost of inventories sold	8,489	2,043	14,912	4,227
Depreciation	33	14	61	29
Operating lease rentals	126	145	316	230
Allowance for impairment of trade and other receivables	—	5,564	—	5,564
	—	—	—	—

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 the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempted from the British Virgin Islands income taxes. The Company's subsidiary established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group has no assessable profits for the six months ended 31 December 2011 (2010: Nil).

(iii) PRC enterprise income tax

No provision for PRC enterprise income tax has been made as the PRC subsidiaries have no assessable profits for the six months ended 31 December 2011 (2010: Nil).

8. EARNINGS/(LOSS) PER SHARE

Basic 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 2011 RMB'000 (Unaudited)		Six months ended 31 December 2011 RMB'000 (Unaudited)	
	2010 RMB'000 (Unaudited)		2010 RMB'000 (Unaudited)	
Attributable to:				
Equity holders of the Company	(3,446)	(6,787)	(5,234)	82,108
	Three months ended 31 December 2011 Number of shares '000		Six months ended 31 December 2011 Number of shares '000	
	2010 Number of shares '000		2010 Number of shares '000	
Number of ordinary shares:				
Issued ordinary shares at the beginning of the period	176,000	176,000	176,000	440,000
Effect of shares issued through the subscription	—	—	—	7,050,522
Effect of shares consolidation	—	—	—	(7,340,711)
Effect of shares issued to the creditors	—	—	—	746
Weighted average number of ordinary shares at the end of the period	176,000	176,000	176,000	150,557
	Three months ended 31 December 2011 RMB (Unaudited)		Six months ended 31 December 2011 RMB (Unaudited)	
	2010 RMB (Unaudited)		2010 RMB (Unaudited)	
Earnings/(loss) per share	(1.96 cents)	(3.86 cents)	(2.97 cents)	54.54 cents

No adjustment has been made to the basic earnings per share amount presented for the three months and six months ended 31 December 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The diluted loss per share for the three months and six months ended 31 December 2010 is the same as the basic loss per share as there was no dilutive potential share.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Unlisted equity securities, at cost		
At beginning and at end of the period	18,199	18,199
Impairment		
At beginning and at end of the period	18,199	18,199
Carrying value		
At end of the period	<u>—</u>	<u>—</u>
At beginning of the 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

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Trade receivables	20,315	19,770
Less: Allowance for impairment	(2,905)	(2,905)
	17,410	16,865
Other receivables	3,666	2,398
Deposits	21,076	19,263
Prepayments	149	152
	2,511	61
	23,736	19,476

Included in prepayments was refundable deposits paid of HK\$3,000,000 (equivalent to RMB2,432,000) in relation to the very substantial acquisition (note 17).

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:

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Within 1 year	12,029	10,358
1 to 2 years	2,874	6,507
Over 2 years	5,412	2,905
	20,315	19,770

11. TRADE AND OTHER PAYABLES

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Trade payables	13,105	15,509
Other payables and accruals	814	1,134
	13,919	16,643

The ageing analysis of trade payables is as follows:

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Within 1 year	9,003	11,266
Over 1 year	4,102	4,243
	13,105	15,509

12. BORROWINGS

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Secured loan from the ultimate holding company	373	790

Note: The share of Action Win Investments Limited, a subsidiary of the Company, has been pledged in favour of the ultimate holding company for the loan drawn down. The loan is interest free and repayable within 12 months after the date of loan agreement.

13. SHARE CAPITAL

	Number of share '000	Amount RMB '000
Authorised:		
Ordinary shares of HK\$0.10 (equivalent to approximately RMB0.106 each)		
At 1 July 2010	1,000,000	106,000
Effect of share subdivision	99,000,000	—
Ordinary shares of HK\$0.001 (equivalent to approximately RMB0.00106 each)	100,000,000	106,000
Effect of share consolidation	(98,000,000)	—
Ordinary shares of HK\$0.05 (equivalent to approximately RMB0.053 each)		
At 30 June 2011 and 31 December 2011	2,000,000	106,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 (equivalent to approximately RMB0.106 each)		
At 1 July 2010	440,000	46,640
Capital reduction	—	(46,174)
Ordinary shares of HK\$0.001 (equivalent to approximately RMB0.00106 each)	440,000	466
Issue of ordinary shares through the subscription	8,316,000	7,269
Ordinary shares of HK\$0.001 (equivalent to approximately RMB0.00088 each)	8,756,000	7,735
Effect of share consolidation	(8,580,880)	—
Ordinary shares of HK\$0.05 (equivalent to approximately RMB0.04417 each)	175,120	7,735
Issue of ordinary shares to the creditors	880	39
Ordinary shares of HK\$0.05 (equivalent to approximately RMB0.04417 each)		
At 30 June 2011 and 31 December 2011	176,000	7,774

14. SHARE OPTION SCHEMES

A new share option scheme (the “Scheme”) was adopted by the Company pursuant to an ordinary resolution passed by the shareholders of the Company at the 2010 annual general meeting. Pursuant to the Scheme, the Directors may grant options to eligible participants as defined in the Scheme to subscribe for shares in the Company subject to the terms and conditions stipulated in.

Details of movements in the share options during the six months ended 31 December 2011 under the Scheme are as follows:

		Number of share option ('000 shares)			
Grantees	Exercisable period	Outstanding at 1.7.2011	Granted during the period	Forfeited during the period	Outstanding at 31.12.2011
<i>Executive Directors:</i>					
Xu Bo	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
Wu Chun Wah	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
<i>Independent Non-Executive Directors:</i>					
Cheong Ying Chew, Henry	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Leung Heung Ying, Alvin	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Zhao Bin	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Employees	2.6.2011-1.6.2013	3,800	—	—	3,800
	2.6.2012-1.6.2014	3,800	—	—	3,800
Other eligible persons	2.6.2011-1.6.2013	2,400	—	—	2,400
	2.6.2012-1.6.2014	2,400	—	—	2,400
Total		13,104	—	—	13,104

No share options were cancelled under the Scheme during the six months ended 31 December 2011.

15. OPERATING LEASE COMMITMENT

The Group leases certain of its office under operating lease arrangements, with leases negotiated for terms of 1 to 2 years. None of the leases include contingent rentals. As at 31 December 2011, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following period were:

	31 December 2011 RMB'000 (Unaudited)	30 June 2011 RMB'000 (Audited)
Within one year	301	481
In the second to fifth year, inclusive	—	54
	301	535

16. RELATED PARTY TRANSACTIONS

There was no related party transactions during the six months ended 31 December 2011.

During the six months ended 31 December 2011, compensation of key management personnel represents only directors' remuneration.

17. EVENT AFTER THE REPORTING PERIOD

On 26 October 2011, one of the Company's subsidiaries, Best Creation International Limited, entered into a conditional agreement with an independent third party, Hunting Development Limited ("Vendor"), to acquire the Vendor's subsidiary, Sincere Action Investments Limited ("Target Company"), together with the Target Company's 51% interests in 浙江春之欣光電科技有限公司. Further details of the conditional agreement are set out in the Company's announcement dated 3 November 2011. Details of the very substantial acquisition – Acquisition of the entire issued shares in, and shareholder's loans of the Target Company are set out in the Company's circular dated 26 January 2012. Up to the date of this report, the acquisition has not yet completed. HK\$3,000,000 (equivalent to RMB2,432,000) was paid as part payment of the consideration of acquisition (note 10).

MANAGEMENT DISCUSSION AND ANALYSIS

The Company acts as an investment holding company and the Group is principally engaged in the provision of energy saving services and sales of energy saving products in the People's Republic of China ("PRC") including Hong Kong.

Financial Review

During the six months ended 31 December 2011, the Group's turnover was approximately RMB15.55 million, representing a 259.4% increase as compared with the corresponding period in 2010 (31 December 2010: approximately RMB4.33 million).

Distribution costs for the six months ended 31 December 2011 was approximately RMB0.94 million, which was mainly attributable to travelling expenses, salaries, wages and welfare, and other expenses in relation to sales and marketing activities. Sales and marketing team was established in the second half of the financial year ended 30 June 2011, there was no comparative figure for the six months ended 31 December 2010.

Administrative expenses for the six months ended 31 December 2011 was approximately RMB4.94 million, representing a 41.4% decrease as compared with the corresponding period in 2010 (31 December 2010: approximately 8.44 million). Including in the administrative expenses for the six months ended 31 December 2010, there was a one-off allowance for impairment of irrecoverable receivables amounting to approximately RMB5.56 million. Save and except for the effect of allowance for impairment of irrecoverable receivables, administrative expenses for the six months ended 31 December 2010 was approximately RMB2.88 million. Administrative expenses for the six months ended 31 December 2011 has increased by approximately RMB2.07 million, representing an increase of 71.9% as compared to the corresponding period, which was mainly attributable to staff costs, particularly equity-settled share-based payments of RMB2.22 million relating to share options granted in June 2011.

The Group incurred total comprehensive expenses attributable to equity holders of the Company amounting to approximately RMB5.23 million for the six months ended 31 December 2011 as compared with total comprehensive income of approximately RMB82.11 million as of 31 December 2010. Comprehensive income in the corresponding period was mainly attributable to an one-off gain on debt restructuring of approximately RMB90.43 million in July 2010. Save and except for the gain on debt restructuring, the Group recorded comprehensive expenses of approximately RMB8.32 million for the six months ended 31 December 2010.

Business Review and Prospects

During the period under review, the Group's turnover was increased over two folds as compared to the corresponding period attributable to the adoption of agency system by the Group resulting in rapid expansion of its market coverage. At present, the Group has built up the agency relationship in Beijing, Shandong, Shanxi, Hebei, Guangdong, Jiangsu and other major PRC cities. The successful implementation of agency system has contributed to the signing of the cooperation letter of intent agreement on energy saving with Shanxi Nanlou Group Corporation Limited (山西南婁集團股份有限公司) on 9 December 2011. The Group will continue putting efforts in development and implementation of the agency system.

The signing of the cooperation letter of intent agreement is a significant strategic movement of the Group to engaging in recycle energy business. Pursuant to the cooperation agreement, the Group is to responsible to the design, construction, operation and maintenance of a cooperation modification project in return of energy saving fee. While the Group is working on finalizing the technical and financial terms of the project, the Group is also looking for other possible business opportunities in providing energy efficiency solutions and engineering consulting services.

To support the expansion of energy efficiency business, the Group proposed to acquire a joint venture company in Shaoxing, Zhejiang province. The acquisition target is principally engaged in research, manufacturing, selling and undertaking of installation work of high frequency electrodeless lamps. High frequency electrodeless lamp is a kind of application in green lighting particularly suitable for industrial and infra-structure projects. The vertical integration offers a positive synergy effect to the Group's existing operations and it further secures the stable source of supply in pursuit of providing energy saving lighting solutions to customers. Besides it will strengthen the Group's new product development capacity by providing an integrated energy efficiency solutions services ranging from design, manufacturing, consultation, installation and assembly services to its customers.

The Group will continue to dedicate good efforts in technology enhancement through its internal research and development capacity. The Group is also looking for possible business expansion opportunities through 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 2011 was approximately RMB12.36 million (30 June 2011: approximately RMB24.10 million). At 31 December 2011, the Group's current ratio was 2.61 (30 June 2011: 2.51), based on the current assets of approximately RMB37.37 million and current liabilities of approximately RMB14.29 million. The gearing ratio was approximately 61.4% as at 31 December 2011. (30 June 2011: 65.6%). 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 2011, the Company's total number of issued shares was 176,000,000 shares of HK\$0.05 each (30 June 2011: 176,000,000 shares of HK\$0.05 each).

Acquisition/Disposal and Significant Investments

Pursuant to the sale and purchase agreement dated 26 October 2011, the Group proposed to acquire 51% shareholding of a joint venture company in Shaoxing, Zhejiang province. Completion of the transaction was subjected to fulfillment of certain conditions and approval of the shareholders of the Company at the special general meeting to be held on 13 February 2012. Details of the acquisition were set out in the circular to the shareholders dated 26 January 2012.

Capital Commitments

As at 31 December 2011, the Group did not have any capital commitments.

Contingent Liabilities

As at 31 December 2011, the Directors are not aware of any material contingent liabilities.

Employees and Remuneration Policies

At 31 December 2011, the Group had 28 (2010: 19) full-time employees. Staff costs amounted to approximately RMB4.01 million for the six months ended 31 December 2011 (2010: RMB1.08 million). The Group's remuneration policy remained the same as detailed in the Company's 2011 annual report.

DIVIDEND

The directors do not recommend the payment of any dividend for the six-months ended 31 December 2011 (2010: 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 2011 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 2011, the interests and short positions of the directors and chief executive of the Company 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	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 December 2011
Mr. Xu Bo	Corporate	(1)	127,057,440	—	127,057,440	
	Personal	(2)	—	88,000	88,000	
					127,145,440	72.24%
Mr. Wu Chun Wah	Corporate	(1)	127,057,440	—	127,057,440	
	Personal	(2)	—	88,000	88,000	
					127,145,440	72.24%
Mr. Cheong Ying Chew, Henry	Personal	(3)	—	176,000	176,000	0.1%
Mr. Leung Heung Ying	Personal	(3)	—	176,000	176,000	0.1%
Dr. Zhao Bin	Personal	(3)	—	176,000	176,000	0.1%

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) The interest disclosed represents the personal interest in 88,000 underlying shares in respect of the 88,000 share options granted by the Company to each of Mr. Xu Bo and Mr. Wu Chun Wah. These share options were granted on 2 June 2011 and are exercisable as to 50% during the period from 2 June 2011 to 1 June 2013 and as to 50% during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$3.55 per share.
- (3) The interest disclosed represents the personal interest in 176,000 underlying shares in respect of the 176,000 share options granted by the Company to each of Mr. Cheong Ying Chew, Henry, Mr. Leung Heung Ying and Dr. Zhao Bin. These share options were granted on 2 June 2011 and are exercisable as to 50% during the period from 2 June 2011 to 1 June 2013 and as to 50% during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$3.55 per share.
- (4) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above and in the section headed “Substantial Shareholders’ Interest in Securities” below, as at 31 December 2011, 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 2011, 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		Total	Approximately percentage of total issued shares as at 31 December 2011
			of issued ordinary shares held	Number of underlying shares held		
Ms. Chen Li	Interest of spouse	(1)	127,057,440	88,000	127,145,440	72.24%
Ms. Lee Siu Yee, Brenda	Interest of spouse	(1)	127,057,440	88,000	127,145,440	72.24%

Notes:

- (1) Ms. Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 127,057,440 shares and 88,000 underlying 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 also deemed to be interested in such 127,057,440 shares and 88,000 underlying 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, as at 31 December 2011, so far as was known to Directors based on the information available, no person, other than the Directors and chief executive of the Company whose interest have been set out in the section headed “Directors’ and Chief Executive’s Interests In Securities” 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Scheme”) pursuant to a resolution passed by the shareholders on 5 November 2010, based on the contribution of individual eligible persons as defined in the Scheme towards the growth and development the Group.

Under the Scheme, the Board may grant share options to the eligible persons to subscribe for such number of shares during such period of time as the Board may determine. Share options granted should be accepted not later than 28 days from the offer date for each tranche of share options granted. Upon acceptance of the share options, the grantee shall pay HK\$1.00 (equivalent to RMB0.81) to the Company by way of consideration for the grant.

The exercise price of the share option shall be the highest of (i) the closing price of the shares on the Growth Enterprise Market (“GEM”) as stated in The Hong Kong Stock Exchange Limited’s (“Stock Exchange”) daily quotation sheet on the date of grant; (ii) the average closing price of the shares on the GEM as stated in the Stock Exchange’s daily quotation sheets for the 5 trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

Details of movements in the share options during six months ended 31 December 2011 under the Scheme are as follows:

		Number of share option ('000 shares)			
Grantees	Exercisable period	Balance as at 1.7.2011	Granted during the period	Lapsed during the period	Balance as at 31.12.2011
<i>Executive Directors:</i>					
Xu Bo	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
Wu Chun Wah	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
<i>Independent Non-Executive Directors:</i>					
Cheong Ying Chew, Henry	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Leung Heung Ying	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Zhao Bin	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Employees	2.6.2011-1.6.2013	3,800	—	—	3,800
	2.6.2012-1.6.2014	3,800	—	—	3,800
Other eligible persons	2.6.2011-1.6.2013	2,400	—	—	2,400
	2.6.2012-1.6.2014	2,400	—	—	2,400
Total		13,104	—	—	13,104

Notes:

- (1) All share options were granted on 2 June 2011 and the exercise price is HK\$3.55 per share.
- (2) The closing price of the shares of the Company immediately before the date on which the share options were granted (i.e. 1 June 2011) was HK\$3.55.
- (3) No share options were cancelled under the Share Option Scheme during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 2011, 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 ("Code") contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 December 2011, except for the following deviation:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that all independent non-executive Directors are not appointed for specific term but are subject to retirement by rotation and re-election in accordance with the provisions of the Bye-law of the Company. 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 ("Standard 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 all the Directors confirmed that they have complied with the Standard Dealings during the six months ended 31 December 2011.

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 2011.

By order of the Board
Xu Bo
Chairman

Hong Kong, 9 February 2012

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.

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.