Creative Energy Solutions Holdings Limited
科瑞控股有限公司

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

ANNUAL REPORT 2012

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

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This report, for which the 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.

Contents

Corporate Information

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Heung Ying
Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin

COMPLIANCE OFFICER

Mr. Wu Chun Wah

COMPANY SECRETARY

Mr. Wong Chi Wai

COMMITTEES

AUDIT COMMITTEE

Mr. Leung Heung Ying *(Chairman)*
Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin

NOMINATION COMMITTEE

Dr. Zhao Bin *(Chairman)*
Mr. Xu Bo
Mr. Leung Heung Ying
Mr. Cheong Ying Chew, Henry

REMUNERATION COMMITTEE

Mr. Leung Heung Ying *(Chairman)*
Mr. Xu Bo
Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin

AUTHORISED REPRESENTATIVES

Mr. Wu Chun Wah
Mr. Wong Chi Wai

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

Hong Kong Law
Michael Li & Co.
19/F., Prosperity Tower,
No. 39 Queen's Road Central,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars 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 1903-04
19th floor, Cosco Tower
No. 183 Queen's Road Central
Hong Kong

PRINCIPAL PLACES OF BUSINESS IN THE PRC

北京科瑞易聯節能科技發展有限公司
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

北京科瑞天誠科技有限公司
Beijing Creative Energy Tiancheng Technology Co., Ltd.*
Room 2205-2208, Jian Da Plaza,
No. 14 Dong Tu Cheng Road,
Chao Yang District,
Beijing,
PRC

浙江春之欣光電科技有限公司
Zhejiang Spring Photoelectric Technology Company Limited*
Fangquan Village,
Jianhu Town,
Yuecheng District,
Shaoxing City,
Zhejiang Province,
PRC

GEM STOCK CODE

8109

COMPANY WEBSITE

www.hklistedco.com/8109.asp

* *For identification purposes only*

Chairman's statement

On behalf of the Board of Diectors (the "Board") of Creative Energy Solutions Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present our annual report for the year ended 30 June 2012.

REVIEW OF RESULTS

For the year ended 30 June 2012, the Group's turnover was approximately RMB21,235,000. The Group recorded a net loss of approximately RMB14,328,000 for the year ended 30 June 2012.

BUSINESS OPERATION

With the support of the agency system implemented in the fourth quarter of the financial year ended 30 June 2011, the Group has recorded an increase of 60.0% in turnover as compared to the figures in the previous year.

Completion of acquisition of a wholly owned subsidiary, Sincere Action Investments Limited, which in turn holding 51% of Zhejiang Spring Photoelectric Technology Co., Ltd (the "Acquisition") offers a positive synergy effect to the Group's existing operations. Such vertical integration will strengthen the Group's new product development capacity by providing an integrated energy efficiency solutions services including design, manufacturing, consultation, installation and assembly services to its customers.

The Company has continuously put effort in research and development and upgrading its technology and products development in order to maintain its pioneer position in energy efficient solutions. The Company is current developing energy efficient management and monitoring platform which is mainly applied in industrial, hotels and properties management areas and pilot test has been underwent through cooperation with a property management company in Beijing during the year.

PROSPECT

Upon completion of the Acquisition in May 2012, the Group was able to provide integrated energy efficiency solutions including design, manufacturing, consultation, installation and assembly services to its customers. Besides, armed with the Group's patent on lighting electronic controlling device, we believe that the Acquisition will create synergy for facilitating the sales and marketability of energy efficiency lighting solutions.

The Group will continue to put its focus on technology development as well as expansion of agency network. The Group is also looking for possible business expansion opportunities through acquisition.

APPRECIATION

I hereby take this opportunity to express our appreciation to all the Board members for their support and efforts to the Group. In addition, on behalf of the Board, I also would like to express our sincere thanks to the officers, and all staff for their dedication and hardworking throughout the year.

Xu Bo
Chairman
21 September 2012

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") of the year ended 30 June 2012 (the "Reporting Period").

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 (the "PRC") including Hong Kong.

FINANCIAL REVIEW

The Group's turnover for the year ended 30 June 2012 was approximately RMB21,235,000, representing an increase of 60.0% as compared to the previous year (2011: approximately RMB13,271,000).

The Group's gross profit for the year ended 30 June 2012 was approximately RMB805,000 (2011: approximately RMB1,093,000). The gross profit margin was approximately 3.8% for the year ended 30 June 2012 (2011: approximately 8.2%). Including in the cost of sales for the year ended 30 June 2012, there was approximately RMB701,000 provision of certain obsoleted inventories. Save and except for the effect of the provison of obsolete inventories, gross profit margin for the year ended 30 June 2012 was approximately 7.1%.

Distribution cost was mainly attributable to staff cost, travelling expenses and other expenses in relation to sales and marketing activities. Distribution costs for the year ended 30 June 2012 was approximately RMB2,212,000, was 3 folds increase as compared to the previous year (2011: approximately RMB519,000). The Group's sales and marketing team was established in the fourth quarter of the financial year ended 30 June 2011, there was no distribution cost incurred in the first three quarters of the previous year.

Administrative expenses for the year ended 30 June 2012 was approximately RMB12,946,000, which was decreased 6.5% as compared with the previous year (2011: RMB13,847,000).

The Group recorded a net loss of approximately RMB14,328,000 for the year ended 30 June 2012, as compared with a profit of approximately of RMB76,211,000 of the previous year. The net profit of the previous year was mainly attributable to the gain on debt restructuring of approximately RMB89,475,000 which was effective on 29 July 2010. Save and except for the effect of gain on debt restructuring, the Group incurred a loss of approximately RMB13,264,000 from its operation for the year ended 30 June 2011.

Loss per share for the year ended 30 June 2012 was RMB8.06 cents (2011: earnings per share of RMB46.71 cents)

FINANCIAL POSITION

As at 30 June 2012, the net current assets was approximately RMB21,327,000 (2011: RMB26,319,000) of which approximately RMB14,362,000 were cash and bank balances (2011: approximately RMB24,103,000). The Group had no bank borrowing as at 30 June 2012 (2011: Nil).

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 30 June 2012, the Group had recorded an increase of 60.0% in turnover as compared to the figures of the previous year, which was resulted from the successful agency system implemented in the fourth quarter of the financial year ended 30 June 2011. Currently, the Group has built up the agency relationship in Beijing, Guangdong, Jiangsu, Shandong, Shanxi and other major PRC cities.

To support the expansion of energy efficiency business, the Group acquired 100% shareholding of Sincere Action Investments Limited, which in turn holding 51% of Zhejiang Spring Photoelectric Technology Co., Ltd (the "Acquisition"). Zhejiang Spring Photoelectric Technology Co., Ltd. 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 acquisition was completed in May 2012.

The above acquisition is a vertical integration of the Group's existing business. Armed with the Group's patent on lighting electronic controlling device, we believe that the Acquisition will create synergy for facilitating the sales and marketability of energy efficiency lighting solutions. The vertical integration also offers 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 integrated energy efficiency solutions services including design, manufacturing, consultation, installation and assembly services to its customers.

The Company has continuously put effort in research and development and upgrading its technology and products development in order to maintain its pioneer position in energy efficient solutions. The Company is current developing energy efficient management and monitoring platform which is mainly applied in industrial, hotels and properties management areas and pilot test has been underwent through cooperation with a property management company in Beijing during the year.

PROSPECTS

Upon completion of the Acquisition in May 2012, the Group was able to provide integrated energy efficiency solutions including design, manufacturing, consultation, installation and assembly services to its customers. Besides, armed with the Group's patent on lighting electronic controlling device, we believe that the Acquisition will create synergy for facilitating the sales and marketability of energy efficiency lighting solutions.

Looking forward to the coming year, the Group will continue to develop the agency system through developing cooperation with agents in different PRC cities in order to expand market share of energy efficiency business. The Group will continue to dedicate good efforts in technology enhancement, including the development of the resources management and monitoring platform. The Group is also looking for possible business through acquisition of appropriate investment opportunities in energy saving industry.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank balances as at 30 June 2012 was approximately RMB14,362,000 (2011: approximately RMB24,103,000). As at 30 June 2012, the Group current ratio was 2.2 (2011: 2.5), comprised current assets of approximately RMB38,705,000 and current liabilities of approximately RMB17,378,000. The gearing ratio was approximately 49% (2011: 66%) as at 30 June 2012, which was computed as total liabilities divided by total equity.

CAPITAL COMMITMENTS

As at 30 June 2012, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group did not have 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 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group had 71 (2011: 21) full-time employees. Staff costs for the Reporting Period was approximately RMB7,786,000 (2011: approximately RMB7,581,000)

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

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2012 (2011: Nil).

PLEDGE OF ASSETS

As at 30 June 2012, the Group did not have any pledged assets.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. XU Bo, aged 51, is an executive director and the Chairman of the Company. Mr. Xu is also a member of the Nomination Committee and Remuneration Committee of the Company. 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 47, is an executive director and Chief Executive Officer of the Company. 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 64, is an independent non-executive director of the Company. Mr. Cheong is also a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. He is also an Independent Non-executive Director of Cheung Kong (Holdings) Limited, Cheung Kong Infrastructure Holdings Limited, CNNC International 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 Public Company Limited, a company listed in Thailand. He was previously an Independent Non-executive Director of Excel Technology International Holdings Limited. 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. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management

Biographical Information of Directors

Dr. ZHAO Bin, aged 38, is an independent non-executive director of the Company. Dr. Zhao is also a member of the Audit Committee, Nomination Committee and Remuneration Committee and the Chairman of Nomination 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 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 air quality and air distribution modeling in the PRC.

Mr. LEUNG Heung Ying, aged 49, is an independent non-executive director of the Company. Mr. Leung is also a member of the Audit Committee, Nomination Committee and Remuneration Committee and the Chairman of Audit Committee and Remuneration Committee of the Company. Mr. Leung is the managing director and shareholder of Proton Capital Limited. He is also an executive director of China Packaging Group Company Limited (stock code: 572), which principal activities are manufacture and sale of tinplate cans for the packaging of beverage in Shanxi, the People's Republic of China (the "PRC"). He was the managing director of Artfield Group Limited (now known as Nan Nan Resources Enterprise Limited) (stock code: 1229) formerly an industrial group with principal operations and manufacturing plants in the PRC, which principal activities were manufacturing, marketing and trading of clocks and timepieces, gift, premium and other office related products, lighting products and trading of metals with extensive sales network in the United Kingdom, Germany and the U.S.A. He also acted as executive director, vice-chairman and deputy chief executive officer of Espco Technology Holdings Limited (now known as Grand T G Gold Holdings Limited) (stock code: 8299), which principal business were manufacturing, processing, sales and distribution of desktop personal computers components in the PRC, Hong Kong, Macau and Singapore and mining and exploration of gold in the PRC.

Currently, Mr. Leung is a member of the Listing Committee of the Stock Exchange, a Fellow Member of the Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountant, a Standing Committee member of the Political Consultative Committee of Wu Hua County of Guangdong Province and an arbitrator of the Panel of Arbitrators of China International Economic and Trade Arbitration Commission. Mr. Leung is a member of the Public Affairs Forum of the Hong Kong Government. Mr. Leung graduated from the University of Bradford, United Kingdom with a Bachelor Degree. He received a Master Degree from London School of Economics and Political Science of University of London, United Kingdom and a Bachelor Degree in Chinese Laws from the Peking University, the PRC.

Report of the Directors

The board of directors (the "Board") has pleasure in presenting the annual report and the audited consolidated financial statements of the Group for the year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its subsidiaries consist of the provision of energy efficient solutions and engineering consulting services in the PRC including Hong Kong.

Details of the principal activities of the principal subsidiaries of the Company as at 30 June 2012 are set out in note 16 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2012 and the state of the affairs of the Group as at that date are set out in the consolidated financial statement on pages 26 to page 77.

SHARE CAPITAL AND RESERVES

As at 30 June 2012, the total number of shares issued by the Company was 183,404,000 shares. Details of the capital structure of the Company are set out in note 22 to the consolidated financial statements.

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

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

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 Group, is set out on page 78. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

BANK LOAN AND OTHER BORROWINGS

Details of movement in the bank loans and other borrowings of the Group during the year are set out in note 21 to the consolidated financial statements.

SHARE OPTIONS SCHEME

The Company adopted a share option scheme (the “Scheme”) on 5 November 2010, pursuant to which the Directors may grant options to eligible participants to subscribe for shares (“Shares”) in the Company subject to the terms and conditions stipulated therein. Details of movements in the Company’s share options during the year are set out in note 23 to the consolidated financial statements.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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 2012.

CONNECTED TRANSACTIONS

During the year ended 30 June 2012, there were no transactions needed be disclosed as connected transactions in the consolidated financial statements and in accordance with the requirements of Chapter 20 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference aligned with the provisions of CG Code. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Leung Heung Ying, Mr. Cheong Ying Chew, Henry and Dr. Zhao Bin. The Company’s annual results for the year ended 30 June 2012 have been reviewed by the audit committee of the Company.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

As at 30 June 2012, 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.

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 year ended 30 June 2012.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the Reporting Period and up to the date of this report were:

Executive directors:
Mr. Xu Bo *(executive director and Chairman)*
Mr. Wu Chun Wah *(executive director and Chief Executive Officer)*

Independent non-executive directors:
Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin
Mr. Leung Heung Ying

In accordance with the Bye-Law 87(1) of the Company's Bye-Laws, Dr. Zhao Bin will retire by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

All the Independent Non-executive Directors are not appointed for a specific term, but are subject to retirement by rotation in accordance with the Bye-Laws of the Company.

Details of the directors' emoluments and of the five highest paid individuals in the Group are set out in notes 13(a) and 13(b) to the consolidated financial statements, respectively.

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

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

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

At 30 June 2012, 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	Number of underlying share held	Total	Approximate percentage of total issued shares as at 30 June 2012
Mr. Xu Bo	Corporate	(1)	127,057,440	–	127,057,440	
	Personal	(2)		88,000	88,000	
					127,145,440	69.33%
Mr. Wu Chun Wah	Corporate	(1)	127,057,440	127,057,440	127,057,440	
	Personal	(2)		88,000	88,000	
					127,145,440	69.33%
Mr. Leung Heung Ying	Personal	(3)	–	176,000	176,000	0.1%
Mr. Cheong Ying Chew, Henry	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 under the heading "Substantial Shareholders' Interest in Securities" below, as at 30 June 2012, 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 30 June 2012, save as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, underlying Shares and Debentures" 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	Number of underlying share held	Total	Approximate percentage of total issued shares as at 30 June 2012
Ms Chen Li	Interest of spouse	(1)	127,057,440	88,000	127,145,440	69.33%
Ms Lee Siu Yee, Brenda	Interest of spouse	(1)	127,057,440	88,000	127,145,440	69.33%

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 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 30 June 2012, 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 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 sections "Share Option Scheme" and "Directors' and the Chief Executive's Interest 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 2012, none of the Directors or substantial shareholders of the Company has engaged in any business that competes or may compete with the business if 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	71%
— five largest suppliers combined	90%
Sales	
— the largest customer	65%
— five largest customers combined	91%

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 18 of the Annual Report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is sufficient public float of not less than 25% of the Company's total issued shares as required under the Listing Rules.

AUDITORS

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

On behalf of the Board
Xu Bo
Chairman
Hong Kong, 21 September 2012

Corporate Governance Report

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 Board of Directors ("Board") and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices ("Code on CG Practices") as set out in Appendix 15 to the Rules ("GEM Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the Code Provisions save for the deviation from the provision A4.1 of the Code Provisions, the details of which are stated under the heading of "Non-Executive Directors" below.

NON-EXECUTIVE DIRECTORS

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. They are, however, subject to retirement by rotation and re-election. 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.

COMPLIANCE WITH THE REQUIRED STANDARD FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct on terms set out in the standard of dealings ("Standard Dealings") contained in Rule 5.48 to Rule 5.67 of the GEM Listing Rules regarding securities transactions by Directors. Upon specific enquiries by the Company, all Directors confirmed that they have fully complied with the Standard Dealings.

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 9 to 10 of this annual report.

The executive Directors include Mr. Wu Chun Wah and Mr. Xu Bo. The Company also appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Cheong Ying Chew, Henry, Dr. Zhao Bin, and Mr. Leung Heung Ying are independent non-executive Directors.

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 2012

The Board met regularly on a quarterly basis. Apart from the regular Board meetings of the year, the Board also met on other occasions when a Board-level decision on a particular matter is required. During the year, the Board held five meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results, annual results and dividends, etc. The attendance record of each Director during the year at Board meetings is as follows:

Name of Director	Number of Attendance Attended/Eligible to attend
Executive Driectors	
Mr. Xu Bo	5/5
Mr. Wu Chun Wah	5/5
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	5/5
Dr. Zhao Bin	5/5
Mr Leung Heung Ying	5/5

Board minutes are kept by the secretary of the Company (the "Secretary") and are open 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.

Both Mr. Xu and Mr. Wu are the shareholders of, each holding 50% interest in, Million Sino Investments Limited, being the controlling shareholder of the Company. The Chairman and the Chief Executive Officer do not have any financial, business, family or other material relationship with each other save for working relationship and their common interest in Million Sino Investments Limited.

REMUNERATION OF DIRECTORS

The Company has established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the GEM Listing Rules. The Remuneration Committee currently comprises all the independent non-executive directors, namely, Mr. Leung Heung Ying (Chairman), Mr. Cheong Ying Chew, Henry, Dr. Zhao Bin and one Executive Director, namely Mr. Xu Bo.

The Company adopted that a remuneration committee be established with specific written terms of reference which deal clearly with its authority and duties. The terms of reference follows the requirement of Code Provision B.1.3.

For the year ended 30 June 2012, the Remuneration Committee held one meeting on 28 September 2011 for the discussion of matters concerning the determination of remuneration of the Directors. The individual attendance record of each member of the remuneration committee is as follows:

Name of Director	Number of Attendance Attended/Eligible to attend
Executive Driectors	
Mr. Xu Bo	1/1
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	1/1
Dr. Zhao Bin	1/1
Mr. Leung Heung Ying	1/1

NOMINATION OF THE DIRECTOR

The Company established a nomination committee (the "Nomination Committee") on 21 March 2012 with written terms of reference. The Nomination Committee currently comprises all the independent non-executive directors, namely, Mr. Leung Heung Ying, Mr. Cheong Ying Chew, Henry, Dr. Zhao Bin and one Executive Director, namely. Mr. Xu Bo. Dr. Zhao Bin is the chairman of the Nomination Committee.

The major functions of the Nomination Committee are to review the structure and composition of the Board, to review and provide recommendations to the shareholders of the Company on the terms of Directors service contract, and to assess the independence of the independent non-executive Directors. The major criteria in relation to the selection and nomination of Directors include professional background, industry-related experience and recommendations from the management team and industry societies. The terms of reference of the Nomination Committee are on terms no less exacting than the provision A4.5 of the CG Code.

For the year ended 30 June 2012, no meeting of Nomination Committee was held. After the year ended, the Nomination Committee held a meeting on 21 September 2012. The individual attendance record of each member of the nomination committee is as follows:

Name of Director	Number of Attendance Attended/Eligible to attend
Executive Driectors	
Mr. Xu Bo	1/1
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	1/1
Dr. Zhao Bin	1/1
Mr. Leung Heung Ying	1/1

ACCOUNTABILITY AND AUDIT

The Board acknowledged their responsibility for preparing the financial statements of the Group. The Directors ensured in preparing of the financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditors' Report.

AUDITORS' REMUNERATION

For the year ended 30 June 2012, approximately RMB346,000 (2011: approximately RMB314,000) are payable to Ting Ho Kwan & Chan CPA, auditors of the Company for audit service.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference aligned with the code provisions of the CG Code. The Audit Committee currently comprises all the independent non-executive Directors, namely, Mr. Leung Heung Ying (as chairman), Mr. Cheong Ying Chew, Henry, and Dr. Zhao Bin.

The main functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Group and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment. The terms of reference of Audit Committee are on terms no less exacting thatn the provision C.3.3 of the CG Code.

For the year ended 30 June 2012, the Audit Committee held a total of four meetings, at which it reviewed the external findings, the accounting principles and practice adopted by the Group, the listing, statutory compliance, and financial reporting matters including recommendations made to the Board to approve the quarterly, interim and annual results for the year. The individual attendance record of each member of the Audit Committee is as follows:

Name of Director	Number of Attendance Attended/Eligible to attend
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	4/4
Dr. Zhao Bin	4/4
Mr. Leung Heung Ying	4/4

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. During the year under review, the Board, through the internal audit department, has performed internal control review on major operations of the Group. The scope of review is determined by the Board and the Audit Committee. The results, with potential control, operational, compliance and financial impact, are discussed in the last scheduled Board meeting. The Group is not aware of any material internal control weaknesses affecting the overall operation.

COMMUNICATION WITH SHAREHOLDERS

The Company actively promote effective communications with shareholders and investors. Shareholders are encouraged to attend the general meetings. The notice of AGM is distributed to all shareholders at least 20 clear business days prior to the AGM. The Chairman of the general meeting conducts voting only after having confirmed with shareholders that they have no problem about the procedures of the voting by poll.

VOTING BY POLL

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all the resolutions set out in the notice of the forthcoming annual general meeting of the Company will be voted by poll.

Independent Auditor's Report

TING HO KWAN & CHAN
CERTIFIED PUBLIC ACCOUNTANTS

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

TO THE SHAREHOLDERS OF CREATIVE ENERGY SOLUTIONS HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Creative Energy Solutions Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 26 to 77, which comprise the consolidated balance sheet as at 30 June 2012, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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. 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2012 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and 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, 21 September 2012

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Notes	2012 RMB'000	2011 RMB'000
Turnover	7	**21,235**	13,271
Cost of sales/services rendered		**(20,430)**	(12,178)
Gross profit		**805**	1,093
Other income		**25**	9
Gain on debt restructuring	8	**—**	89,475
Distribution costs		**(2,212)**	(519)
Administrative expenses		**(12,946)**	(13,847)
(Loss)/profit for the year	10	**(14,328)**	76,211
Other comprehensive income			
Exchange difference arising from translation of financial statements of operations outside Mainland China		**(201)**	(1,806)
Total comprehensive (expense)/income for the year		**(14,529)**	74,405
(Loss)/profit for the year attributable to:			
— Equity shareholders of the Company		**(14,231)**	76,211
— Non-controlling interests		**(97)**	—
		(14,328)	76,211
Total comprehensive (expense)/income for the year attributable to:			
— Equity shareholders of the Company		**(14,432)**	74,405
— Non-controlling interests		**(97)**	—
		(14,529)	74,405
(Loss)/earnings per share			
Basic and diluted	12	**(8.06 cents)**	46.71 cents

The notes on pages 30 to 77 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June 2012

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**2,082**	255
Goodwill	15	**12,126**	—
Available-for-sale financial assets	17	**—**	—
		14,208	255
CURRENT ASSETS			
Inventories	18	**2,915**	173
Trade and other receivables	19	**21,428**	19,476
Cash and bank balances		**14,362**	24,103
		38,705	43,752
CURRENT LIABILITIES			
Trade and other payables	20	**17,378**	16,643
Borrowings	21	**—**	790
		17,378	17,433
NET CURRENT ASSETS		**21,327**	26,319
NET ASSETS		**35,535**	26,574
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	22	**8,076**	7,774
Reserves		**25,106**	18,800
		33,182	26,574
Non-controlling interests		**2,353**	—
TOTAL EQUITY		**35,535**	26,574

The consolidated financial statements were approved and authorised for issue by the Board of directors on 21 September 2012.

Xu Bo
DIRECTOR

Wu Chun Wah
DIRECTOR

The notes on pages 30 to 77 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 July 2010	46,640	51,006	–	7,719	(200,654)	(95,289)	–	(95,289)
Profit for the year	–	–	–	–	76,211	76,211	–	76,211
Exchange difference arising from translation of financial statements of operations outside Mainland China	–	–	–	(1,806)	–	(1,806)	–	(1,806)
Total comprehensive income for the year	–	–	–	(1,806)	76,211	74,405	–	74,405
Capital reduction	(46,174)	–	–	–	46,174	–	–	–
Issue of shares	7,308	35,076	–	–	–	42,384	–	42,384
Equity-settled share-based payments	–	–	5,074	–	–	5,074	–	5,074
At 30 June 2011	7,774	86,082	5,074	5,913	(78,269)	26,574	–	26,574
Loss for the year	–	–	–	–	(14,231)	(14,231)	(97)	(14,328)
Exchange difference arising from translation of financial statements of operations outside Mainland China	–	–	–	(201)	–	(201)	–	(201)
Total comprehensive expense for the year	–	–	–	(201)	(14,231)	(14,432)	(97)	(14,529)
Issue of shares	302	16,443	–	–	–	16,745	–	16,745
Equity-settled share-based payments	–	–	4,295	–	–	4,295	–	4,295
Non-controlling interests arising from acquisition of a subsidiary	–	–	–	–	–	–	2,450	2,450
At 30 June 2012	8,076	102,525	9,369	5,712	(92,500)	33,182	2,353	35,535

The notes on pages 30 to 77 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Note	2012 RMB'000	2011 RMB'000
Operating activities			
(Loss)/profit for the year		**(14,328)**	76,211
Adjustments for:			
Interest income		**(25)**	(8)
Gain on debt restructuring		**—**	(89,475)
Allowance for impairment of trade receivables		**—**	3,756
Allowance for impairment of other receivables		**2,128**	—
Depreciation		**165**	85
Equity-settled share-based payments		**4,295**	5,074
Loss on disposal of property, plant and equipment		**—**	15
Operating cash flows before changes in working capital		**(7,765)**	(4,342)
Inventories		**(868)**	286
Trade and other receivables		**(1,786)**	(8,423)
Trade and other payables		**(2,812)**	5,187
Net cash used in operating activities		**(13,231)**	(7,292)
Investing activities			
Purchase of property, plant and equipment		**(130)**	(316)
Interest income		**25**	8
Net cash outflow on acquisition of a subsidiary	25	**(12,121)**	—
Net cash used in investing activities		**(12,226)**	(308)
Financing activities			
Repayment of secured loan		**(775)**	—
Proceeds from issue of shares		**16,745**	42,384
Restructuring cost paid		**—**	(11,323)
Net cash generated from financing activities		**15,970**	31,061
Net (decrease)/increase in cash and cash equivalents		**(9,487)**	23,461
Effect of change in foreign exchange rate		**(254)**	3
Cash and cash equivalents at the beginning of the year		**24,103**	639
Cash and cash equivalents at the end of the year		**14,362**	24,103
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**14,362**	24,103

The notes on pages 30 to 77 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"). Its ultimate holding company is Million Sino Investments Limited, which is incorporated in the British Virgin Islands.

The Company is an investment holding company. The principal place of business of the Company is Room 1903-04, 19/F., Cosco Tower, 183 Queen's Road Central, Hong Kong. The principal activities of its subsidiaries are set out in note 16.

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.

2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The consolidated financial statements of the Group have been prepared in accordance 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"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). The consolidated financial statements have been prepared under the historical cost convention. A summary of significant accounting policies adopted by the Group is set out in note 3.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed 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 4 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 consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years, unless otherwise stated.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 30 June each year.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

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

(b) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loan from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 3(j) or 3(m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial assets (see note 3(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated balance sheet at cost less accumulated depreciation and any impairment losses (see note 3(e)).

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	Over the shorter of useful lives or lease terms
Furniture and fixtures	3 — 5 years
Motor vehicles	4 — 5 years
Plant and machinery	3 — 10 years

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

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

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the consolidated statement of comprehensive income in the period the item is derecognised.

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

(d) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 3(e)). Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(e) Impairment of assets

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

Investments in equity securities (other than investments in subsidiaries: see note 3(e)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;
— a breach of contract, such as a default or delinquency in interest or principal payments;
— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

(e) Impairment of assets *(continued)*

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

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the allowance for impairment of bad and doubtful debts is recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

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

— property, plant and equipment;
— investments in subsidiaries (except for those classified as held for sale or included in a disposal group that is classified as held for sale); and
— goodwill.

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

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

(e) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

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

(f) 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 transaction costs for all financial assets not carried at fair value through profit or loss. 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 costs. Financial assets other than investments in subsidiaries are further categorised into the following classifications for the measurement after initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently carried at amortised cost using the effective interest method. 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. The Group's loans and receivables comprise 'Trade and other receivables' and 'Cash and bank balances' in the consolidated balance sheet.

(ii) Available-for-sale-financial assets

Investments other than those held for trading and held to maturity are classified as available-for-sale financial assets and are stated in the consolidated balance sheet at fair value. Gain or loss on fair value changes of available-for-sale financial assets is recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except for impairment losses and foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss.

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

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

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

(f) Financial assets *(continued)*

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

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

Fair value of an instrument on initial recognition is normally the transaction prices, unless it is estimated by using a valuation technique when part of the consideration given or received is for something other than the investments.

After initial recognition, the fair value of an investment quoted in an active market is based on the current bid price and, for investments not quoted in an active market, the Group establishes the fair value of such investment by using a valuation technique where appropriate.

Valuation techniques include using recent arm's length market transactions between knowledgeable willing parties, if available, by reference to the current fair value of another instrument that is substantially the same, discounted cash flows analysis and option pricing models.

(g) Inventories

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

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

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

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

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

(h) 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.

(i) Cash and cash equivalents

Cash and cash equivalents comprises cash at banks and on hand, demand deposits with banks 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.

(j) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities (if any) measured in accordance with note 3(n)(i), trade and other payables are subsequently stated 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.

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

(k) 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 consolidated 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 recognised 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.

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.

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

(l) Employee benefits

(i) 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.

The Group also participates in a defined contribution Mandatory Provident Fund retirement benefits scheme in Hong Kong (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in the share option reserve within equity. The fair value is measured at grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged or credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

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

(m) Borrowings

Borrowings, comprising mainly other loans, 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.

(n) Financial guarantee issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is 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 3(n)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 3(n)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(n)(iii).

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

(n) 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.

(o) Revenue recognition

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

(p) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The 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.

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

(p) 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 profit or loss 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 gain or loss on disposal is recognised.

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

(q) 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.

(r) 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.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's top 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.

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

(t) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

4. 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. Of these, the following developments are relevant to the Group's financial statements:

— HKAS 24 (revised 2009), *Related party disclosures*
— HKFRS 7 (Amendments), *Financial instruments: Disclosures — Transfer of financial assets*
— Improvements to HKFRSs (2010)
— HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
— Amendments to HK(IFRIC) 14, HKAS 19 — *The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement*

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

4. CHANGES IN ACCOUNTING POLICIES *(continued)*

The impact of other developments is discussed below:

— HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosure in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

— Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 28 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous periods.

The adoption of the other new or revised HKFRS has no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 32).

5. 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 consolidated financial statements prepared in accordance with HKFRS. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Key assumption and other key sources of estimation uncertainty:

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3(e)(ii). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates and assumptions. Where the expectation is different from the original estimate, such difference will impact the carrying amount of goodwill and the impairment (if any) in the period in which such estimate has been changed (see note 15).

(ii) Impairment on interests in subsidiaries

The Group carries out assessment on the recoverability of its interests in subsidiaries, by reference to the financial situation and the operation of the subsidiaries. This requires the use of judgement and estimates. When the actual result is different from the original estimate, such difference will impact the carrying value of the interests in subsidiaries and impairment expense or reversal of impairment for the year (see note 16).

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

(iii) Allowance for impairment of 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 (see note 19).

(iv) 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 short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow (see note 17).

6. 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 consolidated financial statements.

The total segment income is equivalent to total comprehensive income for the year as shown in the 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 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.

7. 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 year is as follows:

	2012 RMB'000	2011 RMB'000
Turnover		
Provision of energy saving services and sales of energy saving products	**21,235**	13,271

8. GAIN ON DEBT RESTRUCTURING

	2012 RMB'000	2011 RMB'000
Gain on debts waived	–	100,798
Restructuring cost	–	(11,323)
	–	89,475

During the year ended 30 June 2011, the capital and group reorganisation (the "Restructuring") was completed on 29 July 2010 (the "Effective Date"). In order to reorganise the Group and to facilitate the implementation of the creditors scheme of the Restructuring, the scheme subsidiaries under the creditors scheme were transferred to the scheme Administrators. The Group had ceased to control those scheme subsidiaries after the transfer. On the Effective Date, the results, assets and liabilities, and cash flows of those scheme subsidiaries were derecognised from the Group. Further details of which were described in the Company's annual report for the year ended 30 June 2011.

Gain on debts waived of approximately RMB100,798,000 represented indebtedness discharged upon the completion of the Restructuring.

9. 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 estimated assessable profits for the year (2011: 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 year (2011: Nil).

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:

	2012	2011
	RMB'000	RMB'000
(Loss)/profit for the year	**(14,328)**	76,211
Calculated at the applicable tax rates	**(3,111)**	13,722
Tax effect of non-taxable income	**—**	(16,263)
Tax effect of non-deductible expenses	**1,524**	1,603
Tax effect of unused tax losses not recognised	**603**	197
Tax effect of other temporary differences	**984**	741
Taxation charge	**—**	—

10. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging the following:

	2012 **RMB'000**	2011 RMB'000
Staff costs (including directors' remuneration):		
— Salaries and other benefits	**3,357**	2,453
— Retirement benefits scheme contributions	**134**	54
— Equity-settled share-based payments	**4,295**	5,074
	7,786	7,581
Depreciation of property, plant and equipment	**165**	85
Allowance for impairment of trade receivables	**—**	3,756
Allowance for impairment of other receivables	**2,128**	—
Loss on disposal of property, plant and equipment	**—**	15
Operating lease rentals of premises	**711**	791
Auditors' remuneration	**346**	314

11. (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Loss of RMB4,564,000 for the year ended 30 June 2012 (2011: profit of RMB67,529,000) attributable to equity shareholders of the Company has been dealt with in the financial statements of the Company.

12. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/earnings attributable to the equity shareholders of the Company for the year ended 30 June 2012 of approximately RMB14,231,000 (2011: profit of approximately RMB76,211,000) and the weighted average number of 176,667,574 (2011: 163,173,698) ordinary shares in issue during the year.

The calculation of the diluted (loss)/earnings per share amount is based on the loss (2011: profit) for the year attributable to ordinary equity shareholders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic (loss)/earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic (loss)/earnings per share amount presented for the years ended 30 June 2012 and 2011 as the share options in issue during those years have no dilutive effect.

13. 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	Equity-settled share-based payments RMB'000	Total RMB'000
2012					
Executive Directors:					
Xu Bo	–	494	–	29	523
Wu Chun Wah	–	494	25	29	548
Independent Non-executive Directors:					
Cheong Ying Chew, Henry	99	–	–	57	156
Zhao Bin	99	–	–	57	156
Leung Heung Ying	99	–	–	57	156
Total	297	988	25	229	1,539

13. 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	Equity-settled share-based payments RMB'000	Total RMB'000
2011					
Executive Directors:					
Chow Wai Shing Daniel *(note 1)*	–	–	–	–	–
Shum Fong Chung *(note 5)*	–	–	–	–	–
John Howard Batchelor *(note 1)*	–	–	–	–	–
Cheng Chi Ho *(note 1)*	–	–	–	–	–
Yeung Ka Wing *(note 1)*	–	–	–	–	–
Lin Rong Ying *(note 5)*	–	–	–	–	–
Xu Bo *(note 2)*	–	473	–	34	507
Wu Chun Wah *(note 2)*	–	473	24	34	531
Independent Non-executive Directors:					
To Sin Ning *(note 5)*	–	–	–	–	–
Shi Jian Hui *(note 5)*	–	–	–	–	–
Chan Sun Kwong *(note 3)*	35	–	–	–	35
Cheong Ying Chew, Henry *(note 2)*	94	–	–	68	162
Zhao Bin *(note 2)*	94	–	–	68	162
Leung Heung Ying *(note 4)*	60	–	–	68	128
Total	283	946	24	272	1,525

Note 1: resigned on 29 July 2010
Note 2: appointed on 29 July 2010
Note 3: appointed on 29 July 2010 and resigned on 28 November 2010
Note 4: appointed on 28 November 2010
Note 5: removed on 29 July 2010

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2011: three) were directors of the Company whose emoluments were included in note (a) above. The emoluments of the remaining three (2011: two) individuals were as follows:

	2012 **RMB'000**	2011 RMB'000
Salaries, allowances and benefits in kind	**855**	754
Retirement benefits scheme contributions	**27**	30
Equity-settled share-based payments	**1,048**	814
	1,930	1,598

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

	2012	2011
RMB nil to RMB1,000,000	**3**	1
RMB1,000,001 — RMB1,500,000	**—**	1

In addition to the above, certain employees were granted share options of the Group for the year ended 30 June 2012. Details of the share options schemes are set out in note 23.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Total RMB'000
Cost					
At 1 July 2010	15	1,712	196	–	1,923
Currency realignment	(1)	(1)	–	–	(2)
Additions	202	114	–	–	316
Written off	(14)	(4)	–	–	(18)
At 30 June 2011	202	1,821	196	–	2,219
Currency realignment	(4)	(1)	–	–	(5)
Acquisition of a subsidiary	396	225	744	1,413	2,778
Additions	–	28	–	102	130
At 30 June 2012	594	2,073	940	1,515	5,122
Accumulated depreciation					
At 1 July 2010	2	1,688	195	–	1,885
Currency realignment	(3)	–	–	–	(3)
Written back on write-off	(2)	(1)	–	–	(3)
Charge for the year	78	7	–	–	85
At 30 June 2011	75	1,694	195	–	1,964
Currency realignment	(2)	(1)	–	–	(3)
Acquisition of a subsidiary	187	124	348	255	914
Charge for the year	111	29	14	11	165
At 30 June 2012	371	1,846	557	266	3,040
Net book value					
At 30 June 2012	223	227	383	1,249	2,082
At 30 June 2011	127	127	1	–	255

15. GOODWILL

	RMB'000
Cost	
At 1 July 2010 and 30 June 2011	—
Acquisition of a subsidiary (note 25)	12,126
At 30 June 2012	12,126
Accumulated impairment losses	
At 1 July 2010, 30 June 2011 and 30 June 2012	—
Net book value	
At 30 June 2012	12,126
At 30 June 2011	—

Goodwill is allocated to the cash-generating unit identified for the provision of energy saving services and sales of energy saving products.

The recoverable amount of the cash-generating unit is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, turnover and expected changes to selling prices and direct costs during the year. These calculations use cash flow projections based on the recent financial budgets approved by management covering a five-year period. The cash flows are discounted using a discount rate of 16.68%. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The goodwill as at 30 June 2012 arose from the acquisition of 100% equity interest in Sincere Action Investments Limited ("Sincere Action") and the details are set out in note 25. The directors of the Company reviewed the carrying value of the goodwill, taking into account an independent valuation report prepared by a professional valuer, Roma Appraisals Limited. Based on the assessment and the valuation report, the directors of the Company are of the opinion that no impairment loss is necessary as at 30 June 2012.

16. SUBSIDIARIES

The following is a list of the subsidiaries at 30 June 2012 which have been included in these consolidated financial statements:

Name	Place of incorporation/ operations	Particulars of issued capital/ registered capital	Group's effective interest	Proportion of ownership interest Held by the Company	Held by subsidiary	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
北京科瑞易聯節能科技發展有限公司	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%	–	Investment holding
Best Creation International Limited	Republic of Seychelles/ Hong Kong	1 ordinary share of US$1	100%	100%	–	Investment holding
Huntop Trading Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
北京科瑞天誠科技有限公司	The People's Republic of China	HK$13,000,000	100%	–	100%	Provision of energy saving services and sales of energy saving products
Sincere Action Investments Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
浙江春之欣光電科技有限公司	The People's Republic of China	RMB5,000,000	51%	–	51%	Manufacturing, selling and undertaking of installation work of electrodeless lamps

The investments in the subsidiaries are stated at cost and in the opinion of the directors of the Company, no impairment loss is necessary as at 30 June 2012.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 RMB'000	2011 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.

18. INVENTORIES

	2012 RMB'000	2011 RMB'000
Raw materials	**262**	173
Work in progress	**790**	—
Finished goods	**1,863**	—
	2,915	173

No inventories were carried at net realisable value at 30 June 2012 (2011: Nil).

The amount of inventories recognised as an expense and included in the consolidated statement of comprehensive income is RMB20,430,000 (2011: RMB12,178,000).

19. TRADE AND OTHER RECEIVABLES

	2012 RMB'000	2011 RMB'000
Trade receivables *(note a)*	**22,154**	19,770
Less: Allowance for impairment	**(2,905)**	(2,905)
	19,249	16,865
Other receivables *(note b)*	**1,040**	2,398
	20,289	19,263
Rental and other deposits	**149**	152
Prepayments	**990**	61
	21,428	19,476

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

19. 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:

	2012 **RMB'000**	2011 RMB'000
Current	**7,301**	7,484
Within 1 year	**6,482**	2,874
1 to 2 years	**959**	6,507
Over 2 years	**7,412**	2,905
	22,154	19,770

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

	2012 **RMB'000**	2011 RMB'000
At beginning of the year	**2,905**	1,280
Impairment loss recognised	**–**	3,756
Uncollectible amounts written off	**–**	(2,131)
At end of the year	**2,905**	2,905

At 30 June 2012, trade receivables of RMB11,948,000 (2011: RMB9,381,000) were past due but not impaired. The ageing analysis of these receivables is as follows:

	2012 **RMB'000**	2011 RMB'000
Within 1 year	**6,482**	2,874
1 to 2 years	**959**	6,507
Over 2 years	**4,507**	–
	11,948	9,381

(Note b) As at 30 June 2012, other receivables of RMB1,040,000 (2011: RMB2,398,000) were past due but not impaired. During the year, total impairment loss of RMB2,128,000 (2011:Nil) was recognised in profit or loss.

20. TRADE AND OTHER PAYABLES

	2012 RMB'000	2011 RMB'000
Trade payables	**16,973**	15,509
Other payables and accruals	**396**	1,134
Receipt in advance	**9**	—
	17,378	16,643

The ageing analysis of trade payables is as follows:

	2012 RMB'000	2011 RMB'000
Within 1 year	**6,940**	11,266
Over 1 year	**10,033**	4,243
	16,973	15,509

21. BORROWINGS

	2012 RMB'000	2011 RMB'000
Other secured loan	**–**	790

The share of Action Win Investments Limited, a subsidiary of the Company, had been pledged in favour of the lender, which became the immediate and ultimate holding company of the Company upon completion of the Restructuring, for the loan drawn down in prior years. The loan was interest free and fully repaid during the year ended 30 June 2012.

22. SHARE CAPITAL

	Notes	Number of 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	(i)(b)	99,000,000	—
Ordinary shares of HK$0.001 (equivalent to approximately RMB0.00106 each)		100,000,000	106,000
Effect of share consolidation	(ii)	(98,000,000)	—
Ordinary shares of HK$0.05 (equivalent to approximately RMB0.053 each)			
At 30 June 2011 and 30 June 2012		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	(i)(a)	—	(46,174)
Ordinary shares of HK$0.001 (equivalent to approximately RMB0.00106 each)		440,000	466
Issue of ordinary shares through the subscription	(iii)	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	(ii)	(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	(iv)(b)	880	39
At 30 June 2011		176,000	7,774
Issue of ordinary shares to the subscribers	(v)	7,404	302
At 30 June 2012		183,404	8,076

22. SHARE CAPITAL *(continued)*

Details of movements of the share capital under the implementation of the Restructuring during the year ended 30 June 2011 were as follows:

(i) Stage I Capital Reorganisation

The Company implemented capital reduction and share subdivision.

(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 RMB46.17 million (equivalent to 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 was 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 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 RMB 42.1 million (equivalent to HK$48.3 million) with the subscription price of HK$0.0058 per Adjusted Share.

An amount of RMB2.7 million (equivalent to 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.

22. SHARE CAPITAL *(continued)*

(iv) Debt Restructuring

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

(a) a cash payment in the amount equivalent to 5% of the relevant indebtedness owed to the creditors (which is approximately RMB2.7 million (equivalent to 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; and

(c) the transfer of all subsidiaries of the Company, except 北京科瑞易聯節能科技發展有限公司, 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. The subsidiaries so disposed of were as follows:

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.

22. SHARE CAPITAL *(continued)*

Details of movements of the share capital during the year ended 30 June 2012 are as follows:

(v) Subscription

On 21 May 2012, the Company had entered into the Subscription Agreements with the seven independent subscribers. Pursuant to the Subscription Agreements, the subscribers have agreed to subscribe for and the Company has agreed to allot and issue a total of 7,404,000 Subscription Shares at the Subscription Price of HK$2.8 (before deduction of cost of the subscription) per Subscription Share. The net proceeds of approximately HK$20,525,000 from the subscription, out of which HK$370,000 and HK$20,155,000 were recorded in share capital and share premium respectively, are used for the acquisition of a subsidiary during the year. On 29 May 2012, the subscription of new shares was completed.

23. SHARE OPTION SCHEMES

Pursuant to the share option schemes adopted by the Company on 3 January 2002 (the "Previous Scheme"), all options as granted hereunder were all automatically lapsed consequent upon the commencement of the winding-up of the Company on 14 February 2007. Upon the completion of the Restructuring, the Previous Scheme was terminated for easy administration pursuant to an ordinary resolution passed by the shareholders of the Company at the annual general meeting ("2010 AGM") held on 5 November 2010. 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 AGM.

Pursuant to the Scheme, the Directors may grant options to Eligible Participants persons (as defined in the Scheme) to subscribe for shares ("Shares") in the Company subject to the terms and conditions stipulated therein. A summary of the Scheme is as follows:

Purpose	To enable the Company to grant options to Eligible Participants (as defined below) as incentive or reward for their contribution or potential contribution to the Group.
Eligible Participants	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 its subsidiaries and any suppliers, customers, consultants, agents and advisers, who will or have contributed to the Company or its subsidiaries.
Total number of Shares available for issue under the Scheme	The total number of Shares which may be issued under the Scheme upon exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 10% of the Shares in issue as at the date of relevant shareholders' approval.

23. SHARE OPTION SCHEMES *(continued)*

Total number of Shares available for issue for options granted under the Scheme	At 30 June 2011, the number of Shares issuable under for issue for options granted under the Scheme was 13,104,000 shares, which represented approximately 7.45% of the issued share capital of the Company as at that date.
Maximum entitlement of each Eligible Participant	The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any twelve-month period up to and including the date of grant shall not exceed 1% of the number of Shares in issue at the date of grant.
Period under which the Shares must be taken up under an option	The period during which the options may be exercised will be determined by the board of directors of the Company at its absolute discretion, save that no option can be exercised more than 10 years after it has been granted and accepted.
Minimum period for which an option must be held before it can be exercised	The board of directors of the Company may determine the minimum period for which an option must be held before it can be exercised.
Period within which payments/ calls/loans must be made/ repaid	28 days from the date of the offer of the options.
Basis of determining the exercise price	The exercise price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.
The remaining life of the Scheme	The Scheme remains in force until 4 November 2020 unless otherwise terminated in accordance with the terms stipulated therein.
Amount payable on acceptance of the option	HK$1.0

Share options do not confer rights on the holders to dividends or to vote at the shareholders' meetings.

23. SHARE OPTION SCHEMES *(continued)*

Details of movements in the share options during the year ended 30 June 2012 under the Scheme are as follows:

		Number of share option ('000 shares)			
Grantees	**Exercisable period**	**Outstanding at 1.7.2011**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 30.6.2012**
Executive Directors:					
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
Independent Non-Executive Directors:					
Leung Heung Ying	2.6.2011-1.6.2013	88	–	–	88
	2.6.2012-1.6.2014	88	–	–	88
Cheong Ying Chew, Henry	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 participants	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

23. SHARE OPTION SCHEMES *(continued)*

Details of movements in the share options during the year ended 30 June 2011 under the Scheme are as follows:

		Number of share option ('000 shares)			
Grantees	**Exercisable period**	**Outstanding at 1.7.2010**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 30.6.2011**
Executive Directors:					
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
Independent Non-Executive Directors:					
Leung Heung Ying	2.6.2011-1.6.2013	–	88	–	88
	2.6.2012-1.6.2014	–	88	–	88
Cheong Ying Chew, Henry	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 participants	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 year.

23. SHARE OPTION SCHEMES *(continued)*

(a) The number and weighted average exercise prices of the share options are as follows:

	2012 Weighted average exercise price	**2012** Number of option '000 shares	2011 Weighted average exercise price	2011 Number of option '000 shares
Outstanding at 1 July	**HK$3.55**	**13,104**	—	—
Granted during the year	**—**	**—**	HK$3.55	13,104
Outstanding at 30 June	**HK$3.55**	**13,104**	HK$3.55	13,104
Exercisable at 30 June	**HK$3.55**	**13,104**	HK$3.55	6,552

No option was exercised or cancelled during the year ended 30 June 2012 and 2011.

The options outstanding at 30 June 2012 had an exercise price of HK$3.55 (2011: HK$3.55) and a weighted average remaining contractual life of 1.42 years (2011: 2.42 years).

(b) Fair values of share options and assumptions

During the year ended 30 June 2012, no share options were granted by the Company. During the year ended 30 June 2011, 13,104,000 options were granted, of which 6,552,000 vested immediately and the remaining 6,552,000 vested on 2 June 2012. The estimated fair value of the options granted during the year ended 30 June 2011 was approximately RMB9,409,000.

The fair value is calculated using the Black-Scholes option pricing model. The weighted average inputs into the model were as follows:

	Share option granted on 2 June 2011 Lot 1	**Lot 2**
Share price	HK$3.55	HK$3.55
Exercise price	HK$3.55	HK$3.55
Expected volatility	66.24%	46.839%
Expected option life (in years)	1	2.001
Risk free rate	0.212%	0.479%
Dividend yield	Nil	Nil

The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

23. SHARE OPTION SCHEMES *(continued)*

(b) Fair values of share options and assumptions *(continued)*

Expected volatility was determined by using the historical volatilities of the Company over the expected option period.

The Group recognised the staff costs of approximately RMB4,295,000 for the year ended 30 June 2012 (2011: RMB5,074,000) in relation to share options granted by the Company.

24. DEFERRED TAXATION

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

	2012 **RMB'000**	2011 RMB'000
Deductible temporary differences	**16,648**	12,712
Unused tax losses	**10,019**	12,644
	26,667	25,356

There were no deferred tax assets recognised during the year due to unpredictability of future profit streams.

The deductible temporary differences do not expire under current tax legislation. The unused tax losses will expire in five years.

25. BUSINESS COMBINATIONS

Acquisition of a subsidiary for the year ended 30 June 2012

On 26 October 2011, Best Creation International Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Hunting Development Limited, an independent third party, to acquire 100% of the issued share capital of Sincere Action and the loan amount of HK$3,109,755 payable by Sincere Action at a total consideration of HK$18,000,000. Sincere Action is incorporated in Hong Kong with limited liability and principally engaged in investment holding of 51% equity interest in 浙江春之欣光電科技有限公司, which is principally engaged in high frequency electrodeless lamp research, manufacturing, selling and undertaking of installation work of electrodeless lamps. The acquisition was completed on 30 May 2012.

The following table summarises the consideration paid for the above acquisition, the fair value of assets acquired, liabilities assumed and the non-controlling interests at the acquisition date.

25. BUSINESS COMBINATIONS *(continued)*

Acquisition of a subsidiary for the year ended 30 June 2012 *(continued)*

	RMB'000
Cash consideration	12,139
Less: Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	1,864
Inventories	1,874
Trade and other receivables	2,297
Cash and cash equivalents	18
Trade and other payables	(3,590)
Total identifiable net assets	2,463
Less: Non-controlling interests	(2,450)
	13
Goodwill *(Note 15)*	12,126

Acquisition of a subsidiary, net of cash and cash equivalents acquired

	RMB'000
Cash consideration paid	12,139
Cash and cash equivalents acquired	(18)
Net cash outflow from acquisition of a subsidiary	12,121

The Group recognised the non-controlling interests in the above subsidiary at the non-controlling interests' proportionate share of this subsidiary's net assets.

The revenue and loss for the year included in the consolidated profit or loss since the acquisition date contributed by the above acquired subsidiary amounted to approximately RMBNil and RMB198,000 respectively.

Had the acquisition been completed on 1 July 2011, total Group's revenue and loss for the year ended 30 June 2012 would be RMB31,252,000 and RMB13,583,000 respectively.

26. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangement, with leases negotiated for terms of 1 to 2 years. None of the leases includes contingent rentals. As at 30 June 2012, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following period were:

	2012	2011
	RMB'000	RMB'000
Within one year	**426**	481
In the second to fifth year, inclusive	**–**	54
	426	535

27. RELATED PARTY TRANSACTION

There were no related party transactions during the year (2011: Nil).

During the year, compensation of key management personnel represents only directors' remuneration as stated in note 13. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

28. FINANCIAL RISK MANAGEMENT

(A) Financial instruments

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

	Loans and receivables	
	2012	2011
	RMB'000	RMB'000
Assets		
Trade receivables, net	**19,249**	16,865
Other receivables, net	**1,189**	2,550
Cash and bank balances	**14,362**	24,103
	34,800	43,518

	Financial liabilities at amortised cost	
	2012	2011
	RMB'000	RMB'000
Liabilities		
Trade payables	**16,973**	15,509
Other payables and accruals	**396**	1,134
Borrowings	**—**	790
	17,369	17,433

All of the above financial instruments are carried at amounts not materially different from their fair value as at 30 June 2012 and 2011.

28. 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 its financial performance and position by closely monitoring the individual exposure.

(a) Market risk

(i) Cash flow interest rate risk

Except for bank balances, the Group has no other 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. Differences resulting from the translation of financial statements into the Group's presentation currency are not taken into consideration.

(b) Credit risk

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

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.

Normally, the Group does not obtain collateral from customers. At 30 June 2012, the Group has a certain concentration of credit risk as 81% (2011: 99%) of the total trade receivables were due from the five largest clients.

The credit risk on liquid funds is considered negligible as the counterparties are reputable banks with good quality external credit ratings.

28. FINANCIAL RISK MANAGEMENT *(continued)*

(B) Financial risk factors *(continued)*

(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 due within one year or are repayable on demand. The total contractual undiscounted cash outflows of the Group's financial liabilities at the balance sheet date are the same as their carrying amounts.

(C) Fair value estimation

The carrying amounts of the Group's financial assets including cash and bank balances, trade and other receivables and financial liabilities including borrowings, trade and other payables approximate to their fair values due to their short maturities.

29. CAPITAL RISK MANAGEMENT

The Group's primary 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 and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively reviews and manages its capital structure in the light of changes in economic conditions so as to maintain a sound capital position. Total capital is defined as shareholders' equity in the consolidated balance sheet.

Neither the Company nor any of its subsidiaries are subject to either internally or externally imposed capital requirements.

30. 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 Schemes Ordinance and up to a maximum of HK$1,250 per employee per month.

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 pension scheme.

31. BALANCE SHEET OF THE COMPANY

	2012 **RMB'000**	2011 RMB'000
Non-current assets	**84,570**	68,700
Current assets	**9,792**	7,924
	94,362	76,624
Current liabilities	**(6,268)**	(648)
Net assets	**88,094**	75,976
Representing:		
Share capital	**8,076**	7,774
Reserves	**80,018**	68,202
Total equity	**88,094**	75,976

32. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2012

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2012 and which have not been early adopted in these consolidated financial statements.

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

In addition, the following developments may result in new or amended disclosures in the consolidated financial statements:

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
Amendments to HKAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*	1 January 2012
Revised HKAS 19, *Employee benefits*	1 January 2013
HKAS 27, *Separate financial statements (2011)*	1 January 2013
HKAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
Amendments to HKAS 32, *Financial Instruments: Presentation — Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKFRS 7, *Financial instruments: Disclosures — Offsetting financial assets and financial liabilities*	1 January 2013
HKFRS 9, *Financial instruments*	1 January 2015
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013

Financial Summary

	Years ended 30 June				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**21,235**	13,271	11,659	2,901	11,956
Profit/(loss) for the year	**(14,328)**	76,211	(366)	(1,794)	(15,342)

	As at 30 June				
	2012	2011	2010	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**52,913**	44,007	15,951	13,913	13,941
Total liabilities	**(17,378)**	(17,433)	(111,240)	(108,836)	(107,070)
Net assets/(liabilities)	**35,535**	26,574	(95,289)	(94,923)	(93,129)
Share capital	**8,076**	7,774	46,640	46,640	46,640
Reserves	**25,106**	18,800	(141,929)	(141,563)	(139,769)
Total equity attributable to equity shareholders of the Company	**33,182**	26,574	(95,289)	(94,923)	(93,129)
Non-controlling interests	**2,353**	—	—	—	—
Total equity	**35,535**	26,574	(95,289)	(94,923)	(93,129)