



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)



INTERIM REPORT **2013**

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



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

(Incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 3 to 15, which comprises the condensed consolidated balance sheet of Creative Energy Solutions Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as at 31 December 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

TING HO KWAN & CHAN

Certified Public Accountants (Practising)

Hong Kong, 5 February 2013

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The board of directors (the “Board”) of Creative Energy Solutions Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 31 December 2012 together with the comparative unaudited consolidated figures for the corresponding periods in 2011, as set out below:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Notes	Three months ended		Six months ended	
		31 December		31 December	
		2012	2011	2012	2011
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover	4	3,519	9,020	4,729	15,553
Cost of sales/services rendered		<u>(2,930)</u>	<u>(8,489)</u>	<u>(3,918)</u>	<u>(14,912)</u>
Gross profit		589	531	811	641
Other income		6	8	8	8
Distribution costs		(545)	(459)	(1,096)	(942)
Administrative expenses		<u>(1,821)</u>	<u>(3,526)</u>	<u>(3,423)</u>	<u>(4,941)</u>
Loss for the period	6	(1,771)	(3,446)	(3,700)	(5,234)
Other comprehensive income:					
Exchange difference arising from translation of financial statements of operations outside Mainland China		<u>(96)</u>	<u>(26)</u>	<u>(88)</u>	<u>(248)</u>
Total comprehensive expense for the period		(1,867)	(3,472)	(3,788)	(5,482)
Loss for the period attributable to:					
— Equity shareholders of the Company		<u>(1,563)</u>	(3,446)	<u>(3,282)</u>	(5,234)
— Non-controlling interests		<u>(208)</u>	—	<u>(418)</u>	—
		(1,771)	(3,446)	(3,700)	(5,234)
Total comprehensive expense for the period attributable to:					
— Equity shareholders of the Company		<u>(1,659)</u>	(3,472)	<u>(3,370)</u>	(5,482)
— Non-controlling interests		<u>(208)</u>	—	<u>(418)</u>	—
		(1,867)	(3,472)	(3,788)	(5,482)
Loss per share					
Basic and diluted	7	(0.85 cents)	(1.96 cents)	(1.79 cents)	(2.97 cents)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	<i>Notes</i>	31 December 2012 RMB'000 (Unaudited)	30 June 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,784	2,082
Goodwill	9	12,126	12,126
Available-for-sale financial assets		—	—
		13,910	14,208
CURRENT ASSETS			
Inventories		3,423	2,915
Trade and other receivables	10	16,211	21,428
Cash and bank balances		12,040	14,362
		31,674	38,705
CURRENT LIABILITIES			
Trade and other payables	11	11,387	17,378
NET CURRENT ASSETS			
		20,287	21,327
NET ASSETS			
		34,197	35,535
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	12	8,076	8,076
Reserves		21,736	25,106
		29,812	33,182
Non-controlling interests		4,385	2,353
TOTAL EQUITY			
		34,197	35,535

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2011 (Audited)	7,774	86,082	5,074	5,913	(78,269)	26,574	—	26,574
Total comprehensive income/ (expense) for the period	—	—	2,187	(248)	(5,234)	(3,295)	—	(3,295)
At 31 December 2011 (Unaudited)	<u>7,774</u>	<u>86,082</u>	<u>7,261</u>	<u>5,665</u>	<u>(83,503)</u>	<u>23,279</u>	<u>—</u>	<u>23,279</u>
At 1 July 2012 (Audited)	8,076	102,525	9,369	5,712	(92,500)	33,182	2,353	35,535
Capital injection by non-controlling shareholder	—	—	—	—	—	—	2,450	2,450
Total comprehensive expense for the period	—	—	—	(88)	(3,282)	(3,370)	(418)	(3,788)
At 31 December 2012 (Unaudited)	<u>8,076</u>	<u>102,525</u>	<u>9,369</u>	<u>5,624</u>	<u>(95,782)</u>	<u>29,812</u>	<u>4,385</u>	<u>34,197</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

	Six months ended	
	31 December	
	2012	2011
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(4,723)	(11,018)
Net cash generated from investing activities	5	—
Financing activities		
Capital injection by non-controlling shareholder	2,450	—
Repayment of borrowings	—	(398)
Net cash generated from/(used in) financing activities	2,450	(398)
Net decrease in cash and cash equivalents	(2,268)	(11,416)
Effect of change in foreign exchange rate	(54)	(329)
Cash and cash equivalents at the beginning of the period	14,362	24,103
Cash and cash equivalents at the end of the period	12,040	12,358
Analysis of balances of cash and cash equivalents		
Cash and bank balances	12,040	12,358

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 31 December 2012 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2012. They have been prepared on the historical cost basis.

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 Hong Kong Financial Reporting Standards (“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.

In preparing these condensed consolidated interim financial statements, the key assumption made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2012.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 June 2012. This condensed consolidated interim financial information has not been audited.

The HKICPA has issued a number of new and revised HKFRS. For those which are effective for accounting periods beginning on 1 July 2012, the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods; and for those which are not yet effective, the Group is in the process of assessing their impact on the Group’s results and financial position.

2. ORGANISATION AND OPERATIONS

Creative Energy Solutions Holdings Limited (the “Company”) is a public limited company domiciled and incorporated in Bermuda and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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

3. SEGMENTS INFORMATION

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

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

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

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

4. TURNOVER

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

	Three months ended 31 December		Six months ended 31 December	
	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)
Turnover				
Provision of energy saving services and sales of energy saving products	<u>3,519</u>	<u>9,020</u>	<u>4,729</u>	<u>15,553</u>

5. 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 six months ended 31 December 2012 (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 six months ended 31 December 2012 (2011: Nil).

6. LOSS FOR THE PERIOD

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

	Three months ended		Six months ended	
	31 December		31 December	
	2012	2011	2012	2011
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (including directors' remuneration):				
— Salaries and other benefits	920	790	2,033	1,769
— Retirement benefits scheme contributions	65	11	134	23
— Equity-settled share-based payments	—	2,219	—	2,219
	<u>985</u>	<u>3,020</u>	<u>2,167</u>	<u>4,011</u>
Depreciation of property, plant and equipment	124	33	301	61
Cost of inventories sold	2,930	8,489	3,918	14,912
Operating lease rentals of premises	<u>334</u>	<u>126</u>	<u>709</u>	<u>316</u>

7. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the period and the weighted average number of ordinary shares in issue during the period:

	Three months ended 31 December		Six months ended 31 December	
	2012	2011	2012	2011
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to equity shareholders of the Company	<u>(1,563)</u>	<u>(3,446)</u>	<u>(3,282)</u>	<u>(5,234)</u>
	Three months ended 31 December		Six months ended 31 December	
	2012	2011	2012	2011
	Number	Number	Number	Number
	of shares	of shares	of shares	of shares
	'000	'000	'000	'000
Number of ordinary shares at the beginning of the period and at the end of the period	<u>183,404</u>	<u>176,000</u>	<u>183,404</u>	<u>176,000</u>
	Three months ended 31 December		Six months ended 31 December	
	2012	2011	2012	2011
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss per share	<u>(0.85 cents)</u>	<u>(1.96 cents)</u>	<u>(1.79 cents)</u>	<u>(2.97 cents)</u>

The calculation of the diluted loss per share amount is based on the loss for the period 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 period, as used in the basic loss 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 per share amount presented for the three months and six months ended 31 December 2012 and 2011 as the share option in issue during those periods have no dilutive effect.

8. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2012 (2011: Nil).

9. GOODWILL

	<i>RMB'000</i>
Cost	
At 1 July 2011 (audited)	—
Acquisition of a subsidiary	12,126
	<hr/>
At 30 June 2012 (audited) and at 31 December 2012 (unaudited)	12,126
	<hr/>
Accumulated impairment losses	
At 1 July 2011 (audited), at 30 June 2012 (audited) and at 31 December 2012 (unaudited)	—
	<hr/>
Net book value	
At 31 December 2012 (unaudited)	12,126
	<hr/> <hr/>
At 30 June 2012 (audited)	12,126
	<hr/> <hr/>

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. 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 and 31 December 2012 was arose from the acquisition of 100% equity interest in Sincere Action Investments Limited (“Sincere Action”) and the details are set out in note 14.

The directors of the Company reviewed the carrying value of the goodwill and they are of the opinion that no impairment loss is necessary as at 30 June 2012 and 31 December 2012.

10. TRADE AND OTHER RECEIVABLES

	31 December 2012 RMB'000 (Unaudited)	30 June 2012 RMB'000 (Audited)
Trade receivables	17,277	22,154
<i>Less: Allowance for impairment</i>	<u>(2,905)</u>	<u>(2,905)</u>
	14,372	19,249
Other receivables	<u>1,571</u>	1,040
	15,943	20,289
Rental and other deposits	188	149
Prepayments	<u>80</u>	<u>990</u>
	16,211	21,428

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

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

	31 December 2012 RMB'000 (Unaudited)	30 June 2012 RMB'000 (Audited)
Current	2,075	7,301
Within 1 year	6,264	6,482
1 to 2 years	3,583	959
Over 2 years	<u>5,355</u>	<u>7,412</u>
	17,277	22,154

11. TRADE AND OTHER PAYABLES

	31 December 2012 RMB'000 (Unaudited)	30 June 2012 RMB'000 (Audited)
Trade payables	8,736	16,973
Other payables and accruals	2,651	396
Receipt in advance	—	9
	<u>11,387</u>	<u>17,378</u>

The ageing analysis of trade payables is as follows:

	31 December 2012 RMB'000 (Unaudited)	30 June 2012 RMB'000 (Audited)
Within 1 year	5,562	6,940
Over 1 year	3,174	10,033
	<u>8,736</u>	<u>16,973</u>

12. SHARE CAPITAL

	Number of share '000	Amount RMB'000
Authorised:		
Ordinary shares of HK\$0.05 (equivalent to approximately RMB0.053 each)		
At 1 July 2011 (audited), at 30 June 2012 (audited) and at 31 December 2012 (unaudited)	<u>2,000,000</u>	<u>106,000</u>
Issued and fully paid:		
At 1 July 2011 (audited)	176,000	7,774
Issue of ordinary shares to the subscribers	7,404	302
	<u>183,404</u>	<u>8,076</u>
At 30 June 2012 (audited) and at 31 December 2012 (unaudited)	<u>183,404</u>	<u>8,076</u>

13. SHARE OPTION SCHEMES

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

Details of movements in the share options during the six months ended 31 December 2012 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			
		Outstanding at 1.7.2012	Granted during the period	Lapsed during the period	Outstanding at 31.12.2012
<i>Executive Directors:</i>					
Xu Bo	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
Wu Chun Wah	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
<i>Independent Non-Executive Directors:</i>					
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		<u>13,104</u>	<u>—</u>	<u>—</u>	<u>13,104</u>

No share options were cancelled under the Scheme during the six months ended 31 December 2012.

14. ACQUISITION OF A SUBSIDIARY

On 26 October 2011, Best Creation International Limited (“Best Creation”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in Sincere Action, which is principally engaged in investment holding of 51% equity interest in 浙江春之欣光電科技有限公司 (Zhejiang Spring Photoelectric Technology Company Limited*). The acquisition was completed on 30 May 2012.

* For identification purpose only

15. OPERATING LEASE COMMITMENTS

The Group leases certain of its office under operating lease arrangements, with leases negotiated for terms of 1 to 2 years. None of the leases include contingent rentals. As at 31 December 2012, the Group’s total future minimum lease payments under non-cancellable operating leases for each of the following period were:

	31 December 2012 RMB’000 (Unaudited)	30 June 2012 RMB’000 (Audited)
Within one year	1,009	426
In the second to fifth year, inclusive	764	—
	1,773	426

16. RELATED PARTY TRANSACTIONS

There were no related party transactions during the six months ended 31 December 2012 (2011: Nil).

During the six months ended 31 December 2012, compensation of key management personnel represents only directors’ remuneration.

17. EVENT AFTER THE REPORTING PERIOD

On 28 November 2012, Best Creation, a wholly-owned subsidiary of the Company, has entered into a letter of intent (“LOI”) with Energy Treasure Limited (“Energy Treasure”). Energy Treasure is a 100% holding company of Luck Shamrock Limited (the “Target Company”), which in turn holds 100% equity interest in 徐州安邦自動化設備有限公司 (together with the Target Company (“Target Group”)), a company incorporated in the PRC.

Pursuant to the LOI, subject to the satisfaction to the Group of due diligence exercise on the Target Group and the entering of a formal sale and purchase agreement within a period of six months from the date of the LOI (or such other date earlier or later as agreed between the Group and Energy Treasure), Energy Treasure will sell and Best Creation will buy 100% shareholding interest in the Target Company at a consideration to be agreed between the parties which will be satisfied by the issue by the Company of new shares in the capital of the Company (the “Possible Acquisition”).

Up to the date of this report, the Possible Acquisition has not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Review

For the six months ended 31 December 2012, the Group's turnover was approximately RMB4,729,000, representing a decrease of 69.6% as compared to the same period in the previous year (31 December 2011: approximately RMB15,553,000). Both the gross profit and gross profit margin for the six months ended 31 December 2012 were improved. Gross profit for the current period increased from RMB641,000 to RMB811,000. Gross profit margin improved from 4.1% for the six months ended 31 December 2011 to 17.1% for the six months ended 31 December 2012. Without changing the Group's core business of provision of energy efficiency solutions in the PRC, the Group focused on providing high value added products and services to our existing and potential customers.

Distribution costs for the six months ended 31 December 2012 was approximately RMB1,096,000, representing an increase of 16.3% as compared to approximately RMB942,000 for the six months ended 31 December 2011 which was mainly attributable to distribution costs of subsidiary in Shaoxing. The acquisition was completed in May 2012.

Administrative expenses for the six months ended 31 December 2012 was approximately RMB3,423,000, representing a 30.7% decrease as compared to the same period in the previous year (31 December 2011: approximately RMB4,941,000). Including in the administrative expenses for the six months ended 31 December 2011, there was equity-settled share-based payments of approximately RMB2,219,000 relating to share options granted in June 2011. As all the equity-settled share-based payments related to the share options were fully recognized during the year ended 30 June 2012, there was no such expenditure for the six months ended 31 December 2012. Save and except for the effect of equity-settled share-based payments, administrative expenses for the six months ended 31 December 2011 was approximately RMB2,722,000. Administrative expenses for the six months ended 31 December 2012 has increased by approximately RMB701,000, representing an increase of 25.8% as compared to the six months ended 31 December 2011, which was mainly attributable to administrative expenses of subsidiary in Shaoxing.

The Group recorded a loss of approximately RMB3,700,000 for the six months ended 31 December 2012, representing a 29.3% decrease compared to the same period in the previous year (31 December 2011: approximately RMB5,234,000).

Business Review and Prospects

Facing the keen competition in the energy saving industry, the Group devoted great efforts in development of high value niche market. The strategy was proven to be successful. Although

the turnover decreased by 69.6% as compared to the same period in previous year, the profit margin was increased significantly from 4.1% to 17.1%. The Group will continuously maintain good business relationship with the existing high value customers and delicate to explore potential customers requiring quality products and services.

To maintain competitive edge, the Group commits to put resources in technology and product development. Having completed the pilot test of our newly developed energy efficiency management and monitoring platform in the fourth quarter of the financial year ended 30 June 2012, the Group has obtained another trial order during the period. The energy efficiency management and monitoring platform has received good market response and the Group is currently in discussion with several potential customers.

The Group is also looking for possible business expansion opportunities through acquisition. After the acquisition of Zhejiang Spring Photoelectric Technology Company Limited in May 2012, the Group has entered into a letter of intent (“LOI”) on 28 November 2012. Pursuant to the LOI, the Group proposed to acquire 100% equity interest of a company which is principally engaged in the procurement of energy saving and efficiency business in Xuzhou, Jiangsu Province of the PRC (“Possible Acquisition”). The Possible Acquisition will enable the Group to capture good market share in Eastern part of China. The Group is currently carrying a due diligence review of the acquisition target company (the “Target Company”) and the subsidiary company in PRC (the “PRC Target”, together with the Target Company, “Target Group”). On the whole, the Group is devoted to improve its business performance in order to provide a reasonable return to the shareholders.

Liquidity and Financial Resources

Cash and bank balances as at 31 December 2012 was approximately RMB12,040,000 (30 June 2012: approximately RMB14,362,000). At 31 December 2012, the Group’s current ratio was 2.8 (30 June 2012: 2.2), based on the current assets of approximately RMB31,674,000 and current liabilities of approximately RMB11,387,000. The gearing ratio was approximately 33.3% as at 31 December 2012 (30 June 2012: 48.9%). The gearing ratio is calculated as current liabilities divided by total equity.

Exposure to fluctuations in exchange rates and related hedges

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in Renminbi and Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Capital Structure

As at 31 December 2012, the Company’s total number of issued shares was 183,404,000 shares of HK\$0.05 each (30 June 2012: 183,404,000 shares of HK\$0.05 each).

Acquisition/Disposal and Significant Investments

Pursuant to the letter of intent (“LOI”) dated 28 November 2012, the Group proposed to acquire 100% equity interest of a company situated in Xuzhou which was engaged in the business of providing energy saving and efficiency services in the PRC (“Possible Acquisition”), subject to the satisfaction to the Group of due diligence exercise on the Target Group and the entering of a formal sale and purchase agreement within a period of six months from the date of the LOI (or such other date earlier or later as agreed between the Group and the vendor). The consideration to be agreed between the Group and the vendor will be satisfied by the issue by the Company of new shares in the capital of the Company.

The LOI does not create any legal binding obligations between the Group and the vendor to proceed with the Possible Acquisition unless and until a formal sale and purchase agreement is executed by both parties. As such, the Possible Acquisition may or may not proceed. Details of the Possible Acquisition were set out in the announcement dated 28 November 2012.

Capital Commitments

As at 31 December 2012, the Group did not have any capital commitments.

Contingent Liabilities

As at 31 December 2012, the Directors are not aware of any material contingent liabilities.

Employees and Remuneration Policies

At 31 December 2012, the Group had 71 (31 December 2011: 28) full-time employees. Staff costs amounted to approximately RMB2,167,000 for the six months ended 31 December 2012 (31 December 2011: RMB4,011,000). The Group’s remuneration policy remained the same as detailed in the Company’s 2012 annual report.

DIVIDEND

The directors do not recommend the payment of any dividend for the six months ended 31 December 2012 (31 December 2011: Nil).

AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) with written terms of reference, for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls.

The unaudited financial results for the six months ended 31 December 2012 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

At 31 December 2012, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Name of Directors	Nature of interest	Note	Number of issued ordinary shares held	Number of underlying shares held	Approximately percentage of total issued shares as at 31 December 2012	
					Total	
Mr. Xu Bo	Corporate	(1)	127,057,440	—	127,057,440	69.33%
	Personal	(2)	—	88,000	88,000	
					<u>127,145,440</u>	
Mr. Wu Chun Wah	Corporate	(1)	127,057,440	—	127,057,440	69.33%
	Personal	(2)	—	88,000	88,000	
					<u>127,145,440</u>	
Mr. Cheong Ying Chew, Henry	Personal	(3)	—	176,000	176,000	0.1%
Mr. Leung Heung Ying	Personal	(3)	—	176,000	176,000	0.1%
Dr. Zhao Bin	Personal	(3)	—	176,000	176,000	0.1%

Notes:

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

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

Save as disclosed above and in the section headed “Substantial Shareholders’ Interest in Securities” below, as at 31 December 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 31 December 2012, save as disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” above for interests of Mr. Xu Bo and Mr. Wu Chun Wah and each of their associates including Million Sino Investments Limited, in shares and underlying shares of the Company, the following persons had or deemed to have an interest in the shares and the underlying shares of the Company which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 December 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 also deemed to be interested in such 127,057,440 shares and 88,000 underlying shares in which Mr. Wu Chun Wah is deemed to be interested.
- (3) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above, as at 31 December 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 interest have been set out in the section headed “Directors’ and Chief Executive’s Interests In Securities” above, had registered an interest and a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

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

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

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

Details of movements in the share options during six months ended 31 December 2012 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			
		Balance as at 1.7.2012	Granted during the period	Lapsed during the period	Balance as at 31.12.2012
<i>Executive Directors:</i>					
Xu Bo	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
Wu Chun Wah	2.6.2011-1.6.2013	44	—	—	44
	2.6.2012-1.6.2014	44	—	—	44
<i>Independent Non-Executive Directors:</i>					
Cheong Ying Chew, Henry	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Leung Heung Ying	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Zhao Bin	2.6.2011-1.6.2013	88	—	—	88
	2.6.2012-1.6.2014	88	—	—	88
Employees	2.6.2011-1.6.2013	3,800	—	—	3,800
	2.6.2012-1.6.2014	3,800	—	—	3,800
Other eligible participants	2.6.2011-1.6.2013	2,400	—	—	2,400
	2.6.2012-1.6.2014	2,400	—	—	2,400
Total		<u>13,104</u>	<u>—</u>	<u>—</u>	<u>13,104</u>

Notes:

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 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.

COMPLIANCE WITH CODE OF BEST PRACTICE

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices (“Code”) contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 31 December 2012, except for the following deviation:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that all independent non-executive Directors are not appointed for specific term but are subject to retirement by rotation and re-election in accordance with the provisions of the Bye-law of the Company. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company’s shareholders and the retirement and re-election requirements of independent non-executive Directors have given the Company’s shareholders the right to approve continuation of independent non-executive Directors’ offices.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

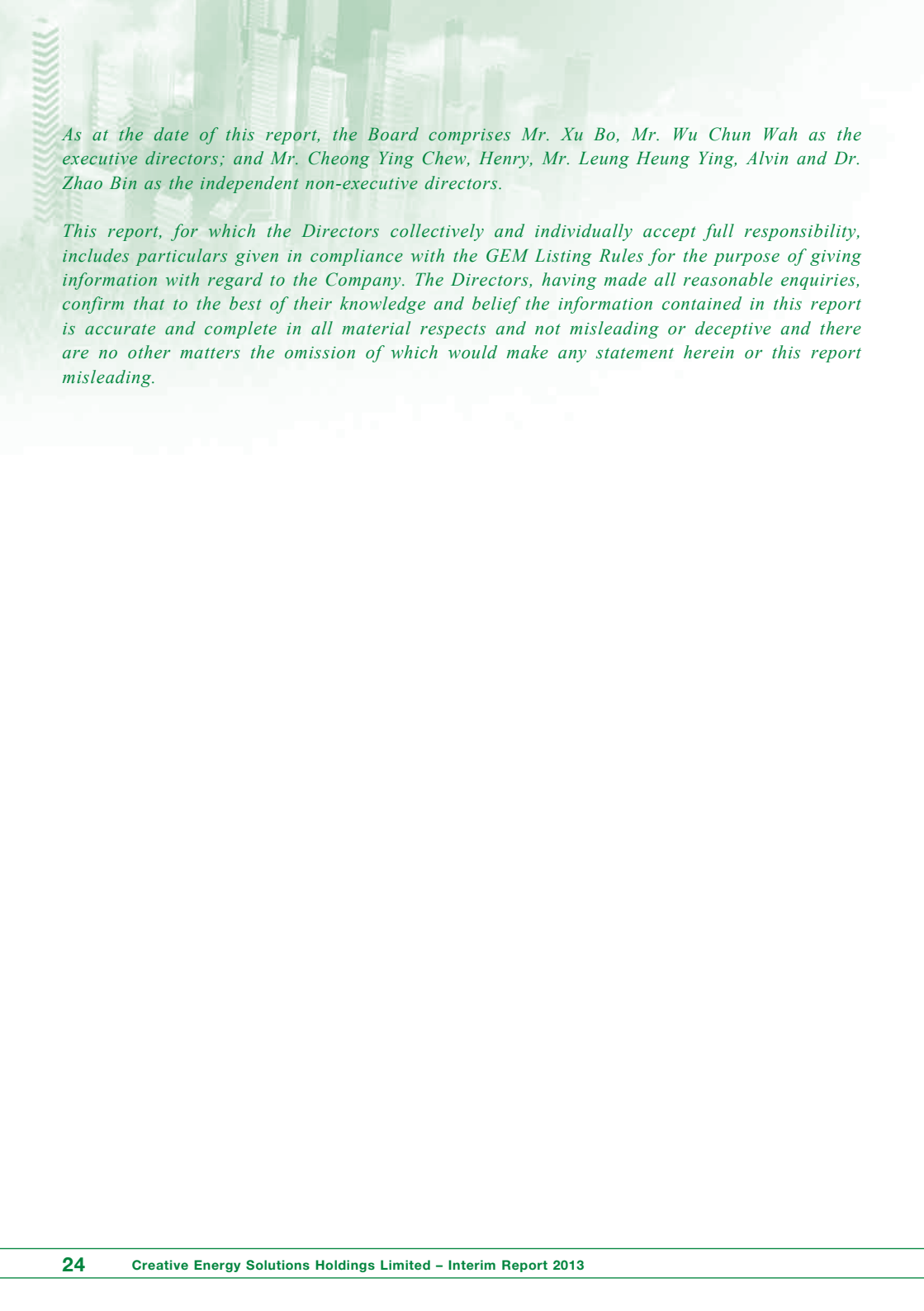
The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings (“Standard Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the six months ended 31 December 2012.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 31 December 2012.

By order of the Board
Xu Bo
Chairman

Hong Kong, 5 February 2013



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

This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.