Creative Energy Solutions Holdings Limited

科 瑞 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2013

ANNUAL REPORT

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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.

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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

浙江科瑞照明技術有限公司
Zhejiang Creative Energy Lighting 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*

On behalf of the Board of Directors (the "Board") of Creative Energy Solutions Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group"), I am pleased to present our annual report for the year ended 30 June 2013.

REVIEW OF RESULTS

For the year ended 30 June 2013, the Group's turnover was approximately RMB20,198,000. The Group recorded a net loss of approximately RMB7,738,000 for the year ended 30 June 2013.

BUSINESS OPERATION

Without changing the Group's core business of provision of energy efficiency solutions in PRC, the Group focused on providing high value added products and services to our existing and potential customers which has received positive feedback from the market. Gross profit margin was improved from 3.8% to 9.0% with no material fluctuation in turnover.

To support the expansion of the Group's business, the Group entered into a conditional agreement in May 2013 to acquire 100% equity interest of a company and its subsidiary in Xuzhou, Jiangsu ("Target Company" and "Xuzhou Subsidiary", collectively "Target Group"). The acquisition will allow the Group to own the entire business established by the Xuzhou Subsidiary which has demonstrated consistent growth during the past few years. The acquisition was completed subsequently after the year ended in August 2013.

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.

PROSPECT

Upon completion of the Acquisition of Target Group after the year ended date in August 2013, the Group was able to strengthen its sales and marketing capability in the energy efficiency solutions business through the extensive sales networks of its Xuzhou Subsidiary. Together with the support of production facilities in Shaoxing's subsidiary company, the Group will be able to provide an integrated energy efficiency solutions services including design, manufacturing, consultation, installation and assembly services to its customers.

Looking forward to the coming year, the Group will continue to develop the resources management and monitoring platform. The Group is also looking for possible business through acquisition of appropriate investment opportunities in energy saving industry.

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
Hong Kong, 24 September 2013

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 2013 (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 2013 was approximately RMB20,198,000, which was decreased approximately RMB1,037,000 or 4.9% as compared to the previous year (2012: approximately RMB21,235,000). Without changing the Group's core business of provision of energy efficiency solutions in PRC, the Group focused on providing high value added products and services to our existing and potential customers.

The Group's gross profit for the year ended 30 June 2013 was approximately RMB1,817,000 (2012: approximately RMB805,000).The gross profit margin was approximately 9.0% for the year ended 30 June 2013 (2012: approximately 3.8%). Both the gross profit and gross profit margin for the year ended 30 June 2013 were improved.

Distribution costs for the year ended 30 June 2013 was approximately RMB2,017,000, was slightly decrease by 8.8% as compared to the previous year (2012: approximately 2,212,000), which was in line with decrease in turnover.

Administrative expenses for the year ended 30 June 2013 was approximately RMB7,645,000, representing approximately RMB5,301,000 or 40.9% decrease as compared with the previous year (2012: approximately RMB12,946,000), which was mainly attributable to decrease in equity-settled share-based payments and allowances for trade and other receivables from approximately RMB4,295,000 and approximately RMB2,128,000 to nil in the current year. Save and except for the effect of the equity-settled share-based payments and allowances for trade and other receivables, administrative expenses for the year ended 30 June 2013 was increased by 17.2%, which was mainly attributable to administrative expenses of subsidiary in Shaoxing in which the acquisition was completed in May 2012.

The Group recorded a net loss of approximately RMB7,738,000 for the year ended 30 June 2013, representing decrease of approximately RMB6,590,000 or 46.0% as compared to the previous year (2012: approximately RMB14,328,000), which was mainly attributable to the effect of the equity-settled share-based payments and allowances for trade and other receivables.

Loss per share for the year ended 30 June 2013 was RMB0.37 cents (2012: RMB0.81 cents).

FINANCIAL POSITION

As at 30 June 2013, the net current assets was approximately RMB16,233,000 (2012: RMB21,327,000) of which approximately RMB3,757,000 were cash and cash equivalents (2012: approximately 14,362,000). The Group had no bank borrowing as at 30 June 2013 (2012: Nil).

BUSINESS REVIEW

Facing the keen competition in the energy saving industry, the Group devoted great efforts in the development of high value niche market, which had received positive response. Although turnover was slightly decreased, the profit margin was improved as compared to the previous year.

Following the expiry of tenancy agreement of the Shaoxing lighting factory premise and the business expansion plan, the Group's Shaoxing subsidiary company underwent a plant relocation in early 2013. The new plant is capable to cope with the increasing demand of lighting products in the future.

To support the expansion of the Group's business, the Group entered into a conditional agreement in May 2013 to acquire 100% equity interest of a company and its subsidiary in Xuzhou, Jiangsu ("Target Company" and "Xuzhou Subsidiary", collectively "Target Group"). The Target Group is principally engaged in the procurement of energy saving and efficiency business in PRC, particularly in the eastern region. The acquisition will allow the Group to own the entire business established by the Xuzhou Subsidiary which has demonstrated consistent growth during the past few years. The acquisition was completed subsequently after the year ended in August 2013.

To maintain its pioneer position in energy efficient solutions industry, the Group commits to resources and effort in technology and product development. The Company will continue to develop energy efficient management and monitoring platform.

PROSPECTS

Upon completion of the Acquisition of Target Group after the year ended date in August 2013, the Group was able to strengthen its sales and marketing capability in the energy efficiency solutions business through the extensive sales networks of the Xuzhou Subsidiary. Together with the support of production facilities in Shaoxing's subsidiary company, the Group will be able to provide an integrated energy efficiency solutions services including design, manufacturing, consultation, installation and assembly services to its customers.

Looking forward to the coming year, the Group will continue to develop 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 2013 was approximately RMB3,757,000 (2012: approximately RMB14,362,000). As at 30 June 2013, the Group current ratio was 1.7 (2012: 2.2), comprised current assets of approximately RMB38,491,000 and current liabilities of approximately RMB22,258,000. The gearing ratio was approximately 74.0% (2012: 48.9%) as at 30 June 2013, which was computed as total liabilities divided by total equity.

CAPITAL COMMITMENTS

As at 30 June 2013, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2013, 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.

EMPOLYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group had 53 (2012: 71) full-time employees. Staff costs for the Reporting Period was approximately RMB4,767,000 (2012: approximately RMB7,786,000).

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 2013 (2012: Nil).

PLEDGE OF ASSETS

As at 30 June 2013, the Group did not have any pledged assets.

EXECUTIVE DIRECTORS

Mr. XU Bo, aged 52, 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 48, 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 65, 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, Greenland Hong Kong Holdings Limited (formerly known as "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 Hong Kong Jewellery Holding Limited (formerly known as "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 and 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 39, 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 50, 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 was the managing director and shareholder of Proton Capital Limited. He was 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").

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 Accountants, 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.

The board of directors (the "Board") has pleasure in presenting the annual report and the audited financial statements of the Company for the year ended 30 June 2013.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal 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 2013 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 2013 and the state of the affairs of the Group as at that date are set out in the consolidated financial statement on pages 28 to page 79.

SHARE CAPITAL AND RESERVES

As at 30 June 2013, the total number of shares issued by the Company was 1,834,040,000 shares. Details of the capital structure of the Company are set out in note 21 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 30.

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 financial statements of the Company, is set out on page 80. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 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 ended are set out in note 22 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 2013.

CONNECTED TRANSACTIONS

During the year ended 30 June 2013, there were no transactions needed be disclosed as connected transactions in the 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 2013 have been reviewed by the audit committee of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2013, 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 year.

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 2013.

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, Mr. Wu Chun Wah 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 10(a) and 10(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 2013, 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 2013
Mr. Xu Bo	Corporate	(1)	1,270,574,400	–	1,270,574,400	
	Personal	(2)		440,000	440,000	
					1,271,014,400	69.30%
Mr. Wu Chun Wah	Corporate	(1)	1,270,574,400		1,270,574,400	
	Personal	(2)		440,000	440,000	
					1,271,014,400	69.30%
Mr. Leung Heung Ying	Personal	(3)	–	880,000	880,000	0.1%
Mr. Cheong Ying Chew, Henry	Personal	(3)	–	880,000	880,000	0.1%
Dr Zhao Bin	Personal	(3)	–	880,000	880,000	0.1%

Notes:

(1) The interest disclosed represents the corporate interest in 1,270,574,400 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 440,000 underlying shares in respect of the 440,000 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 during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK$0.355 per share.

(3) The interest disclosed represents the personal interest in 880,000 underlying shares in respect of the 880,000 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 during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK$0.355 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 2013, 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 2013, 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 2013
Ms Chen Li	Interest of spouse	(1)	1,270,574,400	440,000	1,271,014,400	69.30%
Ms Lee Siu Yee, Brenda	Interest of spouse	(1)	1,270,574,400	440,000	1,271,014,400	69.30%

Notes:

(1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 1,270,574,400 shares and 440,000 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 1,270,574,400 shares and 440,000 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 2013, 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 Chief Executives' Interests in Securities" 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 2013, 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	33.2%
— five largest suppliers combined	82.5%
Sales	
— the largest customer	30.8%
— five largest customers combined	78.9%

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.

SIGNIFICANT POST BALANCE SHEET EVENTS

Details of significant post balance sheet events of the Group are set out in note 32 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date ot 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 who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By Order of the Board of
Creative Energy Solutions Holdings Limited

Wu Chun Wah

For and on behalf of
Creative Energy Solutions Holdings Limited

Xu Bo

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 as explained below:

The Code provision A4.1 provides that non-executive directors should be appointed for a specific term and subject to re-election. The independent non-executive Directors are not appointed for a specific term. They are, however, subject to retirement by rotation and re-election.

The Code provision A6.7 provides that non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Dr. Zhao Bin, independent non-executive Directors of the Company, did not attended the annual general meeting of the Company held on Friday, 2 November 2012 ("2012 AGM") and the special general meeting of the Company held on Monday, 22 April 2013 due to his engagement in his own official business.

The Code provision E1.2 provides that the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Xu Bo, the chairman of the Board, did not attend the 2012 AGM because he was in business trip for the engagement in the Group's business. Dr. Zhao, the chairman of the nomination committee of the Company, did not attend the 2012 AGM due to the reason stated above.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions set out in the CG code during the year ended 30 June 2013.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

Pursuant To Code Provision A6.5, which has come into effect from 1 April 2012, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

Name of Director	Attending seminar(s)/ programme(s)/relevant materials in relation to the business or directors' duties
Executive Driectors	
Mr. Xu Bo	Yes
Mr. Wu Chun Wah	Yes
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	Yes
Dr. Zhao Bin	Yes
Mr Leung Heung Ying	Yes

All the Directors also understand the important of continuous professional development and are committed to participating any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

ATTENDANCE OF INDIVIDUAL DIRECTORS AT BOARD MEETINGS FOR THE YEAR ENDED 30 JUNE 2013

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 four 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	4/4
Mr. Wu Chun Wah	4/4
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	4/4
Dr. Zhao Bin	4/4
Mr Leung Heung Ying	4/4

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.

GENERAL MEETINGS

During the financial year ended 30 June 2013, two general meetings of the Company were held, being the 2012 annual general meeting of the Company ("2012 AGM") held on Friday, 2 November 2012 and a special general meeting held on Monday, 22 April 2013.

Name of Director	Number of Attendance Attended/Eligible to attend
Executive Directors	
Mr. Xu Bo	0/2
Mr. Wu Chun Wah	2/2
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	2/2
Dr. Zhao Bin	0/2
Mr. Leung Heung Ying	2/2

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

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 Directors, 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 2013, the Remuneration Committee held one meeting on 21 September 2012 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") 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 2013, the Remuneration Committee held one meeting on 21 September 2012 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 Directors	
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 2013, approximately RMB363,000 (2012: approximately RMB346,000) 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 than the provision C.3.3 of the CG Code.

For the year ended 30 June 2013, 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

COMPANY SECRETARY

Mr. WONG Chi Wai ("Mr. Wong") was appointed as the company secretary of the Company in August 2011. He is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments. Up to the date of this report, Mr. Wong has undertaken not less than 15 hours of relevant professional training.

INTERNAL CONTROL

The Board has overall responsibility for the internal control and risk management systems of the Company and for reviewing the effectiveness of the internal control and risk management system through the Audit Committee. The Company has in place internal control and risk management systems covering financial, operational, compliance and risk management and supervised by an internal audit manager. An independent certified public accountants has been appointed to review the internal control system to safeguard the assets of the Group.

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.

SHAREHOLDERS' RIGHTS

Rights to convene special general meeting

In accordance with Company's Article 58, Shareholders holding at the date of deposit of the requisition of not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them, may themselves convene the general meeting, but any meeting so convened shall not be held after the expiration of three months after the date of deposit of the requisition.

Putting forward proposals at annual general meeting of special general meeting

The number of shareholders necessary for putting forward a proposal at the annual general meeting or special general meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings ar the date of the request.

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 (PRACTISING)

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

香港德輔道中249–253號
東寧大廈9字樓

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 28 to 79, which comprise the consolidated balance sheet as at 30 June 2013, and the consolidated statement of profit or loss and other 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 2013 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, 24 September 2013

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 RMB'000	2012 RMB'000
Turnover	6	**20,198**	21,235
Cost of sales/services rendered		**(18,381)**	(20,430)
Gross profit		**1,817**	805
Other income	7	**108**	25
Distribution costs		**(2,017)**	(2,212)
Administrative expenses		**(7,645)**	(12,946)
Loss before taxation	8	**(7,737)**	(14,328)
Taxation	9	**(1)**	—
Loss for the year	11	**(7,738)**	(14,328)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of operations outside Mainland China		**(166)**	(201)
Total comprehensive expense for the year		**(7,904)**	(14,529)
Loss for the year attributable to:			
— Equity shareholders of the Company		**(6,811)**	(14,231)
— Non-controlling interests		**(927)**	(97)
		(7,738)	(14,328)
Total comprehensive expense for the year attributable to:			
— Equity shareholders of the Company		**(6,977)**	(14,432)
— Non-controlling interests		**(927)**	(97)
		(7,904)	(14,529)
			(Restated)
Loss per share			
Basic and diluted	13	**(0.37) cents**	(0.81) cents

The notes on pages 32 to 79 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June 2013

	Notes	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,722**	2,082
Goodwill	15	**12,126**	12,126
Available-for-sale financial assets	17	**—**	—
		13,848	14,208
CURRENT ASSETS			
Inventories	18	**2,510**	2,915
Trade and other receivables	19	**32,224**	21,428
Cash and bank balances		**3,757**	14,362
		38,491	38,705
CURRENT LIABILITIES			
Trade and other payables	20	**22,257**	17,378
Tax payables		**1**	—
		22,258	17,378
NET CURRENT ASSETS		**16,233**	21,327
NET ASSETS		**30,081**	35,535
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	21	**8,076**	8,076
Reserves		**18,129**	25,106
		26,205	33,182
Non-controlling interests		**3,876**	2,353
TOTAL EQUITY		**30,081**	35,535

The consolidated financial statements were approved and authorised for issue by the Board of directors on 24 September 2013.

Xu Bo
DIRECTOR

Wu Chun Wah
DIRECTOR

The notes on pages 32 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2013

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumu-lated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 July 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
Loss for the year	–	–	–	–	(6,811)	(6,811)	(927)	(7,738)
Lapse of share options	–	–	(4,680)	–	4,680	–	–	–
Exchange difference arising from translation of financial statements of operations outside Mainland China	–	–	–	(166)	–	(166)	–	(166)
Total comprehensive expense for the year	–	–	(4,680)	(166)	(2,131)	(6,977)	(927)	(7,904)
Capital injection by non-controlling interests	–	–	–	–	–	–	2,450	2,450
At 30 June 2013	8,076	102,525	4,689	5,546	(94,631)	26,205	3,876	30,081

The notes on pages 32 to 79 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2013

	Note	2013 RMB'000	2012 RMB'000
Operating activities			
Loss before taxation		**(7,737)**	(14,328)
Adjustments for:			
Interest income		**(12)**	(25)
Allowance for impairment of other receivables		**—**	2,128
Depreciation		**449**	165
Equity-settled share-based payments		**—**	4,295
Loss on disposal of property, plant and equipment		**198**	—
Operating cash flows before changes in working capital		**(7,102)**	(7,765)
Inventories		**405**	(868)
Trade and other receivables		**(10,801)**	(1,786)
Trade and other payables		**4,952**	(2,812)
Net cash used in operating activities		**(12,546)**	(13,231)
Investing activities			
Purchase of property, plant and equipment		**(288)**	(130)
Interest received		**12**	25
Net cash outflow on acquisition of a subsidiary	24	**—**	(12,121)
Net cash used in investing activities		**(276)**	(12,226)
Financing activities			
Repayment of secured loan		**—**	(775)
Proceeds from issue of shares		**—**	16,745
Capital injection by non-controlling interests		**2,450**	—
Net cash generated from financing activities		**2,450**	15,970
Net decrease in cash and cash equivalents		**(10,372)**	(9,487)
Effect of change in foreign exchange rate		**(233)**	(254)
Cash and cash equivalents at the beginning of the year		**14,362**	24,103
Cash and cash equivalents at the end of the year		**3,757**	14,362
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**3,757**	14,362

The notes on pages 32 to 79 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 presented, 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 generally but not necessarily accompanying a shareholding of more than one half of the voting rights. 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.

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

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

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 the non-controlling interests in the subsidiary that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the subsidiary's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair values.

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 profit or loss and other 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 note 3(j).

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.

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

(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

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.

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)). On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

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.

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

(e) Impairment of assets *(continued)*

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

— 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.

— 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.

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

(e) Impairment of assets *(continued)*

(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.

— 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.

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

(e) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

— 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.

(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.

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

(f) Financial assets *(continued)*

(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.

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 investment.

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.

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

(f) Financial assets *(continued)*

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

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 is 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.

(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.

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

(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(m)(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.

(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 assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

(k) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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

(k) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Employee benefits

(i) Retirement benefit costs

In accordance with the People's Republic of China (the "PRC") relevant 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.

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

(l) Employee benefits *(continued)*

(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 resulting 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) 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(m)(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(m)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 3(m)(iii).

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

(m) 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.

(n) 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.

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

(o) 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.

(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 income statement 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.

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

(o) Foreign currency translation *(continued)*

(iii) Group companies (continued)

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.

(p) 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.

(q) 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)*

(r) 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 Company and the Group. Of these, the following developments are relevant to the Group's financial statements:

— Amendments to HKAS 1, Presentation of items of other comprehensive income

— Amendments to HKAS 12, Income taxes

Except as described below, the application of the amendments to HKFRS in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The amendments to HKAS 1 Presentation of items of other comprehensive income introduce new terminology for statement of comprehensive income and income statement.

Under the amendments to HKAS 1, a "statement of comprehensive income" is renamed as a "statement of profit or loss and other comprehensive income" and an "income statement" is renamed as a "statement of profit or loss". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. The amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the statement of comprehensive income has been renamed and the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 31).

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).

(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).

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

(iv) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine 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. TURNOVER AND SEGMENT INFORMATION

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

The Group's revenue and contribution to loss are mainly derived from its provision of energy saving services and sales of efficiency solutions products and lighting products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment. No analysis of segment assets and segment liabilities is presented as they are not regularly provided to the Board. In addition, the principal non-current assets employed by the Group are located in the PRC. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

Information about products and services

The following table sets forth the total revenue recognised in turnover from external customers by products and services and the percentage of total revenue recognised in turnover by products and services during the year:

	2013 RMB'000	**2013 %**	2012 RMB'000	2012 %
Energy savings and efficiency solutions services and sales of related products	**16,517**	**82**	18,851	89
Energy savings and lighting services and sales of related products	**3,388**	**17**	2,376	11
Others	**293**	**1**	8	—
	20,198	**100**	21,235	100

6. TURNOVER AND SEGMENT INFORMATION *(continued)*

Entity-wide disclosures *(continued)*

Geographical information

All external revenue of the Group during the year ended 30 June 2013 and 2012 was attributable to customers located in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC, including Hong Kong.

Information about major customers

Revenue from each of the major customers, which amounted to 10% or more of the total revenue, is set out below:

	2013 **RMB'000**	2012 RMB'000
Customer A	**6,220**	*
Customer B	**5,175**	*
Customer C	**2,041**	*
Customer D	*	13,760
Customer E	*	3,034
	13,436	16,794

* Less than 10% of total revenue

7. OTHER INCOME

	2013 **RMB'000**	2012 RMB'000
Bank interest income	**12**	25
Sundry income	**96**	—
	108	25

8. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging the following:

	2013 RMB'000	2012 RMB'000
Staff costs (including directors' remuneration):		
— Salaries and other benefits	**4,519**	3,357
— Retirement benefits scheme contributions	**248**	134
— Equity-settled share-based payments	**—**	4,295
	4,767	7,786
Depreciation of property, plant and equipment	**449**	165
Allowance for impairment of other receivables	**—**	2,128
Operating lease rentals of premises	**944**	711
Auditors' remuneration	**363**	346
Loss on disposals of property, plant and equipment	**198**	—

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 (2012: Nil).

(iii) PRC enterprise income tax

Taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the PRC (2012: Nil).

9. TAXATION *(continued)*

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

	2013 RMB'000	2012 RMB'000
Loss before taxation	**(7,737)**	(14,328)
Calculated at the applicable tax rates	**(1,572)**	(3,111)
Tax effect of non-deductible expenses	**707**	1,524
Tax effect of unused tax losses not recognised	**1,157**	603
Tax effect of tax loss utilised	**(146)**	—
Tax effect of other temporary differences	**(145)**	984
Taxation charge	**1**	—

10. 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**
2013					
Executive Directors:					
Xu Bo	–	484	–	–	484
Wu Chun Wah	–	484	24	–	508
Independent Non-executive Directors:					
Cheong Ying Chew, Henry	97	–	–	–	97
Zhao Bin	97	–	–	–	97
Leung Heung Ying	97	–	–	–	97
Total	291	968	24	–	1,283

10. 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
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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, two (2012: two) were directors of the Company whose emoluments were included in note (a) above. The emoluments of the remaining three (2012: three) individuals were as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	**1,080**	855
Retirement benefits scheme contributions	**50**	27
Equity-settled share-based payments	**–**	1,048
	1,130	1,930

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

(b) Five highest paid individuals *(continued)*

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

	2013	2012
RMB nil to RMB1,000,000	**3**	3

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Loss of RMB3,082,000 (2012: RMB4,564,000) for the year ended 30 June 2013 attributable to equity shareholders of the Company has been dealt with in the financial statements of the Company.

12. DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2013 (2012: Nil).

13. LOSS PER SHARE

(a) 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 year ended 30 June 2013 of RMB6,811,000 (2012: RMB14,231,000) and the weighted average number of 1,834,040,000 (2012: 1,766,675,738 *) ordinary shares in issue during the year.

* The number of ordinary shares has been adjusted as a result of the one-to-ten share subdivision effective on 23 April 2013.

(b) Diluted loss per share

The calculation of the diluted loss per share amount is based on the loss 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 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 years ended 30 June 2013 and 2012 as the share options in issue during those years have no dilutive effect.

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 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
Currency realignment	(5)	(1)	–	–	(6)
Additions	284	1	–	3	288
Disposals	(396)	–	–	–	(396)
At 30 June 2013	477	2,073	940	1,518	5,008
Accumulated depreciation					
At 1 July 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
Currency realignment	(4)	(1)	–	–	(5)
Charge for the year	41	81	176	151	449
Written back on disposals	(198)	–	–	–	(198)
At 30 June 2013	210	1,926	733	417	3,286
Net book value					
At 30 June 2013	267	147	207	1,101	1,722
At 30 June 2012	223	227	383	1,249	2,082

15. GOODWILL

	RMB'000
Cost	
At 1 July 2011	—
Acquisition of a subsidiary *(note 24)*	12,126
At 30 June 2012 and at 30 June 2013	12,126
Accumulated impairment losses	
At 1 July 2011, 30 June 2012 and 30 June 2013	—
Net book value	
At 30 June 2013	12,126
At 30 June 2012	12,126

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 16.78%. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The details of goodwill arose from the acquisition of 100% equity interest in Sincere Action Investments Limited ("Sincere Action") are set out in note 24. The directors 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 are of the opinion that no impairment loss is necessary as at 30 June 2013 and 2012.

16. SUBSIDIARIES

The following is a list of the subsidiaries at 30 June 2013 which have been included in these consolidated financial statements:

Name	Place of incorporation/ operations	Particulars of issued capital/ registered capital	Proportion of ownership interest: Group's effective 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$14,000,000	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
浙江科瑞照明技術有限公司 (Formerly known as 浙江春之欣光電科技有限公司)	The People's Republic of China	RMB10,000,000	51%	–	51%	Manufacturing, selling and undertaking of installation work of electrodeless lamps
Creative i-Energy System Company Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Not yet commenced business

The investments in the subsidiaries are stated at cost and in the opinion of the directors, no impairment loss is necessary as at 30 June 2013.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 RMB'000	2012 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

	2013 RMB'000	2012 RMB'000
Raw materials	**245**	262
Work in progress	**1,664**	790
Finished goods	**601**	1,863
	2,510	2,915

No inventories were carried at net realisable value at 30 June 2013 (2012: Nil).

The amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income is RMB18,381,000 (2012: RMB20,430,000).

19. TRADE AND OTHER RECEIVABLES

	2013 **RMB'000**	2012 RMB'000
Trade receivables *(note a)*	**31,156**	22,154
Less: Allowance for impairment	**(2,905)**	(2,905)
	28,251	19,249
Other receivables	**2,739**	1,040
	30,990	20,289
Rental and other deposits	**185**	149
Prepayments	**1,049**	990
	32,224	21,428

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, net of allowances, at the balance sheet date is as follows:

	2013 **RMB'000**	2012 RMB'000
Within 1 year	**20,337**	13,783
1 to 2 years	**3,463**	959
Over 2 years	**4,451**	4,507
	28,251	19,249

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

	2013 **RMB'000**	2012 RMB'000
At beginning of the year	**2,905**	2,905
Impairment loss recognised	**–**	–
Uncollectible amounts written off	**–**	–
At end of the year	**2,905**	2,905

The above allowance for impairment of trade receivables is a provision for individually impaired trade receivables of RMB2,905,000 (2012: RMB2,905,000) with carrying amounts before provision of RMB2,905,000 (2012: RMB2,905,000). The individually impaired trade receivables relate to customers that were in financial difficulties and the receivables are not expected to be recovered.

The ageing analysis of the trade receivables that are not considered to be impaired is as follows:

	2013 **RMB'000**	2012 RMB'000
Neither past due nor impaired	**14,931**	7,301
Less than 1 year past due	**5,406**	6,482
1 to 2 years past due	**3,463**	959
Over 2 years past due	**4,451**	4,507
	28,251	19,249

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances

20. TRADE AND OTHER PAYABLES

	2013 RMB'000	2012 RMB'000
Trade payables	**20,463**	16,973
Other payables and accruals	**1,769**	396
Receipt in advance	**25**	9
	22,257	17,378

The ageing analysis of trade payables is as follows:

	2013 RMB'000	2012 RMB'000
Within 1 year	**13,876**	6,940
Over 1 year	**6,587**	10,033
	20,463	16,973

21. SHARE CAPITAL

	Number of share '000	Amount RMB'000
Authorised:		
Ordinary shares of HK$0.05		
At 1 July 2011 and at 30 June 2012	2,000,000	106,000
Effect of share subdivision	18,000,000	—
Ordinary shares of HK$0.005		
At 30 June 2013	20,000,000	106,000

21. SHARE CAPITAL *(continued)*

	Number of share '000	Amount RMB'000
Issued and fully paid:		
Ordinary shares of HK$0.05		
At 1 July 2011	176,000	7,774
Issue of ordinary shares to the subscribers	7,404	302
Ordinary shares of HK$0.05		
At 30 June 2012	183,404	8,076
Effect of share subdivision	1,650,636	—
Ordinary shares of HK$0.005		
At 30 June 2013	1,834,040	8,076

By an ordinary resolution passed in the Special General Meeting on 22 April 2013, a share subdivision of every one issued and unissued ordinary share of a par value of HK$0.05 each in the share capital of the Company into ten subdivided shares of a par value of HK$0.005 each is approved.

22. SHARE OPTION SCHEME

On 5 November 2010, the shareholders of the Company adopted a share option scheme (the "Scheme") which will expire on 4 November 2020 for the primary purpose of providing incentives to Eligible Participants (as defined below) for their contribution or potential contribution to the Group. Pursuant to the Scheme, the directors may grant options to Eligible Participants to subscribe for shares ("Shares") in the Company subject to the terms and conditions stipulated therein. A summary of the Scheme is as follows:

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.
Total number of Shares available for issue for granted under the Scheme	At 30 June 2011, the number of Shares issuable under for issue for options granted under the Scheme was 131,040,000* shares, options 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.

22. SHARE OPTION SCHEME *(continued)*

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.

As a result of share subdivision having become effective on 23 April 2013 and pursuant to the terms of the Scheme, the exercise price and the number of Shares to be allotted and issued upon full exercise of the subscription rights attaching to the outstanding share options have been adjusted in the following manner with effect from 23 April 2013:

		Before adjustment		After adjustment	
Date of grant	**Exercise period**	**Exercise price per Share HK$**	**No. of Shares falling to be issued**	**Exercise price per Share HK$**	**No. of subdivided shares falling to be issued**
2 June 2011	2 June 2011 to 1 June 2013	3.550	6,552,000	0.355	65,520,000
2 June 2011	2 June 2012 to 1 June 2014	3.550	6,552,000	0.355	65,520,000
Total			13,104,000		131,040,000*

22. SHARE OPTION SCHEME *(continued)*

Details of movements in the share options during the year ended 30 June 2013 under the Scheme are as follows:

		Number of share option ('000 shares)			
Grantees	**Exercisable period**	**Outstanding at 1.7.2012**	**Granted during the year**	**Lapsed during the year**	**Outstanding at 30.6.2013**
Executive Directors:					
Xu Bo	2.6.2011-1.6.2013	440	–	(440)	–
	2.6.2012-1.6.2014	440	–	–	440
Wu Chun Wah	2.6.2011-1.6.2013	440	–	(440)	–
	2.6.2012-1.6.2014	440	–	–	440
Independent Non-Executive Directors:					
Leung Heung Ying	2.6.2011-1.6.2013	880	–	(880)	–
	2.6.2012-1.6.2014	880	–	–	880
Cheong Ying Chew, Henry	2.6.2011-1.6.2013	880	–	(880)	–
	2.6.2012-1.6.2014	880	–	–	880
Zhao Bin	2.6.2011-1.6.2013	880	–	(880)	–
	2.6.2012-1.6.2014	880	–	–	880
Employees	2.6.2011-1.6.2013	38,000	–	(38,000)	–
	2.6.2012-1.6.2014	38,000	–	–	38,000
Other eligible participants	2.6.2011-1.6.2013	24,000	–	(24,000)	–
	2.6.2012-1.6.2014	24,000	–	–	24,000
Total		131,040	–	(65,520)	65,520

22. SHARE OPTION SCHEME *(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) (as restated)			
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	440	–	–	440
	2.6.2012-1.6.2014	440	–	–	440
Wu Chun Wah	2.6.2011-1.6.2013	440	–	–	440
	2.6.2012-1.6.2014	440	–	–	440
Independent Non-Executive Directors:					
Leung Heung Ying	2.6.2011-1.6.2013	880	–	–	880
	2.6.2012-1.6.2014	880	–	–	880
Cheong Ying Chew, Henry	2.6.2011-1.6.2013	880	–	–	880
	2.6.2012-1.6.2014	880	–	–	880
Zhao Bin	2.6.2011-1.6.2013	880	–	–	880
	2.6.2012-1.6.2014	880	–	–	880
Employees	2.6.2011-1.6.2013	38,000	–	–	38,000
	2.6.2012-1.6.2014	38,000	–	–	38,000
Other eligible participants	2.6.2011-1.6.2013	24,000	–	–	24,000
	2.6.2012-1.6.2014	24,000	–	–	24,000
Total		131,040	–	–	131,040

Notes:

1. All share options were granted on 2 June 2011 and the exercise price of HK$0.355 was adjusted for the share subdivision made during the year ended 30 June 2013.

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$0.355 after adjustment for the share subdivision.

3. No share options were cancelled under the Scheme during the year.

22. SHARE OPTION SCHEME *(continued)*

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

	2013		2012	
	Weighted average exercise price	**Number of option**	Weighted average exercise price (as restated)	Number of option (as restated)
		'000 shares		'000 shares
Outstanding at 1 July	**HK$0.355**	**131,040**	HK$0.355	131,040
Lapsed during the year	**HK$0.355**	**(65,520)**	—	—
Outstanding at 30 June	**HK$0.355**	**65,520**	HK$0.355	131,040
Exercisable at 30 June	**HK$0.355**	**65,520**	HK$0.355	131,040

No option was exercised or cancelled during the year ended 30 June 2013 and 2012.

The options outstanding at 30 June 2013 had an exercise price of HK$0.355 (2012: HK$0.355 (note (i)) and a weighted average remaining contractual life of 0.92 year (2012: 1.42 years).

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

No share options were granted by the Company during the year ended 30 June 2013 and 2012.

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 *(note (i))*	HK$0.355	HK$0.355
Exercise price *(note (i))*	HK$0.355	HK$0.355
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

22. SHARE OPTION SCHEME *(continued)*

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

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.

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

Note (i) The share price and exercise price were adjusted for the share subdivision during the year ended 30 June 2013.

During the year ended 30 June 2013, no staff costs were recognised by the Group in relation to share options granted by the Company (2012: RMB4,295,000).

23. DEFERRED TAXATION

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

	2013 **RMB'000**	2012 RMB'000
Deductible temporary differences	**16,067**	16,648
Unused tax losses	**13,753**	10,019
	29,820	26,667

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.

24. ACQUISITION OF A SUBSIDIARY

The Group did not acquire any subsidiary during the year ended 30 June 2013.

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 浙江科瑞照明技術有限公司 (formerly known as 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.

	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

24. ACQUISITION OF A SUBSIDIARY *(continued)*

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 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.

25. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangement, with leases negotiated for terms of 2 to 3 years. None of the leases includes contingent rentals. As at 30 June 2013, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following period were:

	2013 **RMB'000**	2012 RMB'000
Within one year	**1,082**	426
In the second to fifth year, inclusive	**717**	—
	1,799	426

26. RELATED PARTY TRANSACTION

There were no related party transactions during the year (2012: Nil).

During the year, compensation of key management personnel represents only directors' remuneration as stated in note 10. The directors' remuneration is determined by the remuneration committee having regard to the performance, responsibilities and experience of individuals and market trends.

27. FINANCIAL RISK MANAGEMENT

(A) Financial instruments by categories

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

	Loans and receivables	
	2013	2012
	RMB'000	RMB'000
Assets		
Trade receivables, net	**28,251**	19,249
Other receivables, net	**2,924**	1,189
Cash and bank balances	**3,757**	14,362
	34,932	34,800

	Financial liabilities at amortised cost	
	2013	2012
	RMB'000	RMB'000
Liabilities		
Trade payables	**20,463**	16,973
Other payables and accruals	**1,769**	396
	22,232	17,369

All of the above financial instruments are carried at amounts not materially different from their fair value as at 30 June 2013 and 2012.

27. 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 and policies mainly focus on minimising the potential adverse effect of these risks on the Group by closely monitoring the individual exposure as summarised below.

(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 2013, the Group has a certain concentration of credit risk as 77% (2012: 81%) 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.

27. 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 trade and other payables approximate to their fair values due to their short maturities.

28. 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.

29. 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.

30. BALANCE SHEET OF THE COMPANY

	2013 **RMB'000**	2012 RMB'000
Non-current assets	**86,642**	84,570
Current assets	**2,100**	9,792
	88,742	94,362
Current liabilities	**(5,216)**	(6,268)
Net assets	**83,526**	88,094
Representing:		
Share capital	**8,076**	8,076
Reserves	**75,450**	80,018
Total equity	**83,526**	88,094

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2013

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 2013 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.

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2013 *(continued)*

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 HKFRS Annual improvements to HKFRS 2009 to 2011 cycle	1 January 2013
Amendments to HKFRS 7, Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
Amendments to HKFRS 9 and HKFRS 7, Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12: Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance	1 January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities	1 January 2014
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
Amendments to HKAS 32, Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets	1 January 2014
Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting	1 January 2014
HKAS 19 (Revised 2011), Employee benefits	1 January 2013
HKAS 27 (Revised 2011), Separate financial statements	1 January 2013
HKAS 28 (Revised 2011), Investments in associates and joint ventures	1 January 2013
HK(IFRIC) — INT 20, Stripping costs in the production phase of a surface mine	1 January 2013
HK(IFRIC) — INT 21, Levies	1 January 2014

32. SUBSEQUENT EVENTS

(i) On 3 May 2013, Best Creation International Limited, a wholly owned subsidiary of the Company, entered into a sales and purchase agreement with Energy Treasure Limited, an independent third party, to acquire the Sale Share and the Sale Loans of Luck Shamrock Limited at a total consideration of HK$18,600,000, satisfied by the issue of a total of 62,000,000 consideration shares at the issue price of HK$0.3 per consideration share.

Luck Shamrock Limited is incorporated in Hong Kong with limited liability and principally engaged in investment holding of 100% equity interest in 徐州安邦自動化設備有限公司, which established in the PRC as a limited liability company and principally engaged in the provision of energy-savings and energy efficiency services and sales of energy saving products in the PRC.

The acquisition was completed on 22 August 2013.

The Group is in the process of finialising the relevant financial information of these companies and accordingly, the financial impact of the above mentioned acquisition to the Group is not disclosed.

(ii) On 22 August 2013, the subscription rights attaching to 3,640,000 share options were exercised at the exercise price of HK$0.355 per share, resulting in the issue of 3,640,000 shares of HK$0.355 and new share capital of HK$18,200 and share premium of HK$1,274,000, together with a release of the share option reserve amounting to HK$316,350 credited to the share premium account.

Financial Summary

	Years ended 30 June				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**20,198**	21,235	13,271	11,659	2,901
Profit/(loss) for the year	**(7,738)**	(14,328)	76,211	(366)	(1,794)

	As at 30 June				
	2013	2012	2011	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**52,339**	52,913	44,007	15,951	13,913
Total liabilities	**(22,258)**	(17,378)	(17,433)	(111,240)	(108,836)
Net assets/(liabilities)	**30,081**	35,535	26,574	(95,289)	(94,923)
Share capital	**8,076**	8,076	7,774	46,640	46,640
Reserves	**18,129**	25,106	18,800	(141,929)	(141,563)
Total equity attributable to equity shareholders of the Company	**26,205**	33,182	26,574	(95,289)	(94,923)
Non-controlling interests	**3,876**	2,353	—	—	—
Total equity	**30,081**	35,535	26,574	(95,289)	(94,923)