



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

**2014**  
INTERIM REPORT



## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

	Notes	Three months ended 31 December		Six months ended 31 December	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
<b>Turnover</b>	3	<b>1,599</b>	3,519	<b>2,897</b>	4,729
Cost of sales/services rendered		<u>(1,389)</u>	<u>(2,930)</u>	<u>(2,585)</u>	<u>(3,918)</u>
<b>Gross profit</b>		<b>210</b>	589	<b>312</b>	811
Other income		<b>10</b>	6	<b>12</b>	8
Distribution costs		<b>(144)</b>	(545)	<b>(336)</b>	(1,096)
Administrative expenses		<b>(1,789)</b>	(1,821)	<b>(4,063)</b>	(3,423)
<b>Loss before taxation</b>		<b>(1,713)</b>	(1,771)	<b>(4,075)</b>	(3,700)
Taxation		<u>—</u>	<u>—</u>	<u>(1)</u>	<u>—</u>
<b>Loss for the period</b>	5	<b>(1,713)</b>	(1,771)	<b>(4,076)</b>	(3,700)
<b>Other comprehensive income</b>					
<b>Item that may be reclassified</b>					
<b>Subsequently to profit or loss</b>					
Exchange difference arising from translation of financial statements of operations outside Mainland China		<u>(41)</u>	<u>(96)</u>	<u>(13)</u>	<u>(88)</u>
<b>Total comprehensive expense for the period</b>		<u><b>(1,754)</b></u>	<u>(1,867)</u>	<u><b>(4,089)</b></u>	<u>(3,788)</u>
<b>Loss for the period attributable to:</b>					
— Equity shareholders of the Company		<u>(1,521)</u>	(1,563)	<u>(3,680)</u>	(3,282)
— Non-controlling interests		<u>(192)</u>	<u>(208)</u>	<u>(396)</u>	<u>(418)</u>
		<u><b>(1,713)</b></u>	<u>(1,771)</u>	<u><b>(4,076)</b></u>	<u>(3,700)</u>
<b>Total comprehensive expense for the period attributable to:</b>					
— Equity shareholders of the Company		<u>(1,562)</u>	(1,659)	<u>(3,693)</u>	(3,370)
— Non-controlling interests		<u>(192)</u>	<u>(208)</u>	<u>(396)</u>	<u>(418)</u>
		<u><b>(1,754)</b></u>	<u>(1,867)</u>	<u><b>(4,089)</b></u>	<u>(3,788)</u>
<b>Loss per share</b>					
Basic and diluted	6	<u><b>(0.08 cents)</b></u>	<u>(0.08 cents)</u>	<u><b>(0.19 cents)</b></u>	<u>(0.18 cents)</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
AS AT 31 DECEMBER 2013

	<i>Notes</i>	<b>31 December 2013 RMB'000 (Unaudited)</b>	30 June 2013 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		1,577	1,722
Goodwill	8	31,791	12,126
Available-for-sale financial assets		—	—
		<u>33,368</u>	<u>13,848</u>
<b>CURRENT ASSETS</b>			
Inventories		5,430	2,510
Trade and other receivables	9	35,566	32,224
Cash and bank balances		2,250	3,757
		<u>43,246</u>	<u>38,491</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	29,370	22,257
Tax payables		1	1
		<u>29,371</u>	<u>22,258</u>
<b>NET CURRENT ASSETS</b>		<u>13,875</u>	<u>16,233</u>
<b>NET ASSETS</b>		<u>47,243</u>	<u>30,081</u>
<b>EQUITY</b>			
<b>Capital and reserves attributable to equity shareholders of the Company</b>			
Share capital	11	8,337	8,076
Reserves		35,426	18,129
		<u>43,763</u>	<u>26,205</u>
Non-controlling interests		3,480	3,876
<b>TOTAL EQUITY</b>		<u>47,243</u>	<u>30,081</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	Attributable to equity shareholders of the Company					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Share option reserve	Translation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2012 (Audited)	8,076	102,525	9,369	5,712	(92,500)	33,182	2,353	35,535
Capital injection by non-controlling shareholder	—	—	—	—	—	—	2,450	2,450
Loss for the period	—	—	—	—	(3,282)	(3,282)	(418)	(3,700)
Exchange difference arising from translation of financial statements of operations outside Mainland China	—	—	—	(88)	—	(88)	—	(88)
At 31 December 2012 (Unaudited)	<u>8,076</u>	<u>102,525</u>	<u>9,369</u>	<u>5,624</u>	<u>(95,782)</u>	<u>29,812</u>	<u>4,385</u>	<u>34,197</u>
4 At 1 July 2013 (Audited)	8,076	102,525	4,689	5,546	(94,631)	26,205	3,876	30,081
Loss for the period	—	—	—	—	(3,680)	(3,680)	(396)	(4,076)
Exchange difference arising from translation of financial statements of operations outside Mainland China	—	—	—	(13)	—	(13)	—	(13)
Shares issued upon exercise of share option	14	1,265	(252)	—	—	1,027	—	1,027
Issue of shares in consideration for acquisition of interests in a subsidiary	247	19,977	—	—	—	20,224	—	20,224
At 31 December 2013 (Unaudited)	<u>8,337</u>	<u>123,767</u>	<u>4,437</u>	<u>5,533</u>	<u>(98,311)</u>	<u>43,763</u>	<u>3,480</u>	<u>47,243</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2013</b>	<b>2012</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net cash used in operating activities	<b>(2,940)</b>	(4,723)
Net cash generated from investing activities	<b>535</b>	5
Net cash generated from financing activities	<b>1,027</b>	2,450
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,378)</b>	(2,268)
Effect of change in foreign exchange rate	<b>(129)</b>	(54)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,757</b>	14,362
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>2,250</b>	12,040
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis of balances of cash and cash equivalents</b>		
Cash and bank balances	<b>2,250</b>	12,040
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 31 December 2013 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2013. They have been prepared on the historical cost basis.

The Group’s management makes assumptions, estimates and judgements in the process of applying the Group’s accounting policies that affect the assets, liabilities, income and expenses in the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

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In preparing these condensed consolidated interim financial statements, the key assumption made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2013.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 June 2013. This condensed consolidated interim financial information is unaudited but has been reviewed by the audit committee of the Company.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2013.

In the current interim period, the Group has applied, for the first time, the following new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), the adoption has no material impact on the reported results and the financial position of the Group for the current or prior accounting periods:

- HKFRS 10, Consolidated Financial Statements
- HKFRS 11, Joint Arrangements
- HKFRS 12, Disclosure of Interests in Other Entities
- Amendments to HKFRS 10, HKFRS 11 and HKFRS12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
- HKFRS 13 Fair Value Measurement
- HKAS 19 (as revised in 2011), Employee Benefits
- HKAS 27 (as revised in 2011), Separate Financial Statements
- HKAS 28 (as revised in 2011), Investments in Associates and Joint Ventures
- Amendments to HKFRS 7, Disclosures — Offsetting Financial Assets and Financial Liabilities
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2009-2011 Cycle
- HK(IFRIC) — Int 20, Stripping Costs in the Production Phase of a Surface Mine

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

## 2. ORGANISATION AND OPERATIONS

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

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



### 3. TURNOVER AND SEGMENTS 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 during the period:

	Three months ended		Six months ended	
	31 December	2012	31 December	2012
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Energy savings and efficiency solutions services and sales of related products	1,438	2,367	1,712	3,403
Energy savings and lighting products	161	981	817	1,068
Others	—	171	368	258
	<u>1,599</u>	<u>3,519</u>	<u>2,897</u>	<u>4,729</u>

#### 4. TAXATION

##### (i) Overseas income tax

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

##### (ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the six months ended 31 December 2013 (2012: Nil).

##### (iii) PRC enterprise income tax

Provision for PRC enterprise income tax for the six months ended 31 December 2013 is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdiction in the PRC (2012: Nil).

#### 5. LOSS FOR THE PERIOD

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

	Three months ended		Six months ended	
	31 December		31 December	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (including directors' remuneration):				
— Salaries and other benefits	818	920	1,940	2,033
— Retirement benefits scheme contributions	64	65	129	134
	<u>882</u>	<u>985</u>	<u>2,069</u>	<u>2,167</u>
Depreciation of property, plant and equipment	108	124	228	301
Cost of inventories sold	1,389	2,930	2,585	3,918
Operating lease rentals of premises	386	334	694	709
	<u><u>386</u></u>	<u><u>334</u></u>	<u><u>694</u></u>	<u><u>709</u></u>

## 6. LOSS PER SHARE

### Basic loss per share

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

	Three months ended 31 December		Six months ended 31 December	
	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Loss for the period attributable to equity shareholders of the Company	<u>(1,521)</u>	<u>(1,563)</u>	<u>(3,680)</u>	<u>(3,282)</u>

	Three months ended 31 December		Six months ended 31 December	
	2013 Number of shares '000	2012 Number of shares '000	2013 Number of shares '000	2012 Number of shares '000
Weighted average number of ordinary shares in issue during the period	<u>1,899,680</u>	<u>1,834,040</u>	<u>1,881,130</u>	<u>1,834,040</u>

	Three months ended 31 December		Six months ended 31 December	
	2013 RMB (Unaudited)	2012 RMB (Unaudited)	2013 RMB (Unaudited)	2012 RMB (Unaudited)
Loss per share	<u>(0.08 cents)</u>	<u>(0.08 cents)</u>	<u>(0.19 cents)</u>	<u>(0.18 cents)</u>

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

No adjustment has been made to the basic loss per share amount presented for the three months and six months ended 31 December 2013 and 2012 as the share option in issue during those periods have no dilutive effect.

## 7. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2013 (2012: Nil).

## 8. GOODWILL

	<i>RMB'000</i>
<b>Cost</b>	
At 1 July 2012 and 30 June 2013 (audited)	12,126
Acquisition of a subsidiary ( <i>Note 13</i> )	19,665
	<hr/>
At 31 December 2013 (unaudited)	31,791
	<hr/>
<b>Accumulated impairment losses</b>	
At 1 July 2012 (audited), at 30 June 2013 (audited) and at 31 December 2013 (unaudited)	—
	<hr/>
<b>Net book value</b>	
At 31 December 2013 (unaudited)	31,791
	<hr/> <hr/>
At 30 June 2013 (audited)	12,126
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## 9. TRADE AND OTHER RECEIVABLES

	<b>31 December 2013 <i>RMB'000</i> (Unaudited)</b>	30 June 2013 <i>RMB'000</i> (Audited)
Trade receivables	27,649	31,156
Less: Allowance for impairment	(2,905)	(2,905)
	<hr/>	<hr/>
	24,744	28,251
Other receivables	9,858	2,739
	<hr/>	<hr/>
Rental and other deposits	34,602	30,990
Prepayments	182	185
	<hr/>	<hr/>
	782	1,049
	<hr/>	<hr/>
	35,566	32,224
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The directors of the Company considered that the carrying amount of trade and other receivables approximates to their fair value.

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

	<b>31 December 2013 RMB'000 (Unaudited)</b>	30 June 2013 RMB'000 (Audited)
Within 1 year	16,734	20,337
1 to 2 years	3,518	3,463
Over 2 years	4,492	4,451
	<u>24,744</u>	<u>28,251</u>

## 10. TRADE AND OTHER PAYABLES

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	<b>31 December 2013 RMB'000 (Unaudited)</b>	30 June 2013 RMB'000 (Audited)
Trade payables	14,483	20,463
Other payables and accruals	12,240	1,769
Receipt in advance	2,647	25
	<u>29,370</u>	<u>22,257</u>

The ageing analysis of trade payables is as follows:

	<b>31 December 2013 RMB'000 (Unaudited)</b>	30 June 2013 RMB'000 (Audited)
Within 1 year	11,397	13,876
Over 1 year	3,086	6,587
	<u>14,483</u>	<u>20,463</u>

## 11. SHARE CAPITAL

	Number of of share '000	Amount RMB '000
Authorised:		
Ordinary shares of HK\$0.05		
At 1 July 2012 (audited)	2,000,000	106,000
Effect of share subdivision	<u>18,000,000</u>	<u>—</u>
Ordinary shares of HK\$0.005		
At 30 June 2013 (audited) and at 31 December 2013 (unaudited)	<u>20,000,000</u>	<u>106,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.05		
At 1 July 2012 (audited)	183,404	8,076
Effect of share subdivision	<u>1,650,636</u>	<u>—</u>
Ordinary shares of HK\$0.005		
At 30 June 2013 (audited)	1,834,040	8,076
Issue of shares in consideration for acquisition of interest in a subsidiary ( <i>note a</i> )	62,000	247
Shares issued upon the exercise of share option ( <i>note b</i> )	<u>3,640</u>	<u>14</u>
At 31 December 2013 (unaudited)	<u>1,899,680</u>	<u>8,337</u>

- (a) On 3 May 2013, Best Creation International Limited, a wholly owned subsidiary of the Company, entered into a sale 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. The consideration shares were issued on 22 August 2013 at the issue price of HK\$0.41 per share upon completion of the acquisition.
- (b) 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 options reserve amounting to HK\$316,350 credited to the share premium account.

## 12. SHARE OPTION SCHEMES

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

Details of movements in the share options during the six months ended 31 December 2013 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			
		Balance as at 1.7.2013	Granted during the period	Exercised during the period	Balance as at 31.12.2013
<i>Executive Directors:</i>					
Wu Chun Wah	2.6.2012-1.6.2014	440	—	440	—
Ma Jun	2.6.2012-1.6.2014	8,000	—	—	8,000
<i>Non-Executive Directors:</i>					
Xu Bo	2.6.2012-1.6.2014	440	—	—	440
<i>Independent Non-Executive Directors:</i>					
Cheong Ying Chew, Henry	2.6.2012-1.6.2014	880	—	—	880
Leung Heung Ying	2.6.2012-1.6.2014	880	—	—	880
Zhao Bin	2.6.2012-1.6.2014	880	—	—	880
Employees	2.6.2012-1.6.2014	19,500	—	200	19,300
Other eligible persons	2.6.2012-1.6.2014	34,500	—	3,000	31,500
<b>Total</b>		<b>65,520</b>	<b>—</b>	<b>3,640</b>	<b>61,880</b>

No share options were lapsed and cancelled under the Scheme during the six months ended 31 December 2013.

### 13. BUSINESS COMBINATION

On 22 August 2013, the Group completed the acquisition of the entire equity interest together with the sale loan of HK\$701,999 in Luck Shamrock Limited (“Luck Shamrock”) from Energy Treasure Limited, an independent third party, at a total consideration of HK\$25,420,000, satisfied by the issue of a total of 62,000,000 consideration shares at the issue price of HK\$0.41 per share. The directors of the Company consider the acquisition of Luck Shamrock was made with an aim to provide an opportunity for the Group to making inroads into additional markets so as to enhance the competitiveness in terms of sales and distribution and ensure the continued success in the energy efficiency solutions business in the PRC.

Luck Shamrock 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.

Details of net assets acquired and goodwill recognised in the business combination are as follows:

	<i>RMB'000</i>
Purchase consideration	20,224
<i>Less: Recognised amounts of identifiable assets acquired and liabilities assumed:</i>	
Property, plant and equipment	84
Inventories	155
Trade and other receivables	14,507
Cash and cash equivalents	523
Trade and other payables	(14,710)
Total identifiable net assets	559
Goodwill ( <i>Note 8</i> )	19,665

The goodwill is attributable to the profitability and future market development expected to arise from the acquisition of Luck Shamrock.

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

	<i>RMB'000</i>
Cash consideration paid	—
Cash and cash equivalents acquired	523
Net cash inflow from acquisition of a subsidiary	523

Included in the loss for the six months ended 31 December 2013 is post-acquisition loss of approximately RMB194,000 attributable by the Luck Shamrock. Revenue for the six months ended 31 December 2013 included approximately RMB267,000 in respect of the Luck Shamrock.

Had the acquisition been completed on 1 July 2013, the Group's revenue and loss for the six months ended 31 December 2013 would have been RMB4,450,000 and RMB4,283,000 respectively.



#### 14. 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 include contingent rentals. As at 31 December 2013, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following period were:

	<b>31 December 2013 RMB'000 (Unaudited)</b>	30 June 2013 RMB'000 (Audited)
Within one year	972	1,082
In the second to fifth year, inclusive	<u>339</u>	<u>717</u>
	<u><b>1,311</b></u>	<u><b>1,799</b></u>

#### 15. RELATED PARTY TRANSACTIONS

There were no related party transactions during the six months ended 31 December 2013 (2012: Nil).

During the six months ended 31 December 2013, compensation of key management personnel represents only directors' remuneration.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

### Financial Review

For the six months ended 31 December 2013, the Group's turnover was approximately RMB2,897,000, representing a decrease of approximately RMB1,832,000 or 38.7% as compared to the same period in the previous year (31 December 2012: approximately RMB4,729,000).

Energy savings and efficiency solutions services and sales of related products was the major source of turnover. For the six months ended 31 December 2013, income generated from sales and services provided relating to energy savings solutions was approximately RMB1,712,000, representing a decrease of 49.7% as compared to same category in the previous year (31 December 2012: approximately RMB3,403,000). Due to delay in completion of customer's facilities, the completion date of related energy efficiency project of approximately RMB2 million will be postponed from December 2013 to early 2014, which was the main reason of decrease in turnover. Gross profit for the six months ended 31 December 2013 were approximately RMB312,000. Gross profit margin for the six months ended 31 December 2013 was 10.8%.

Distribution costs for the six months ended 31 December 2013 was approximately RMB336,000, representing a decrease of 69.3% as compared to approximately RMB1,096,000 for the six months ended 31 December 2012. Modification of staff cost of sales and marketing staff to market orientation to keep in line with turnover was one of the reasons for the decrease of distribution cost. Another reason for the decrease of the distribution cost was closely monitoring of travelling cost of sales and marketing department to reduce unnecessary staff travelling.

Administrative expenses for the six months ended 31 December 2013 was approximately RMB4,063,000, representing an increase of 18.7% as compared to the same period in the previous year (31 December 2012: approximately 3,423,000), which was mainly attributable to professional fee in relating to the major transaction — acquisition of Luck Shamrock Limited which was completed in August 2013.

The Group recorded a loss of approximately RMB4,076,000 for the six months ended 31 December 2013, representing an increase of 10.2% as compared to the same period in the previous year. (31 December 2012: approximately RMB3,700,000).

## **Business Review and Prospects**

Facing the keen competition in the energy saving industry, the Group devoted great efforts in development of high value niche market. The Group has maintained good business relationship with the existing high value customers requiring quality products and services.

Upon completion of the Acquisition of Luck Shamrock Limited in August 2013, the Group was able to strengthen its sales and marketing capability in the energy efficiency solutions business through its subsidiary company in Xuzhou, Jiangsu, particularly in the northeastern China. Together with the production support of the subsidiary company in Shaoxing, Zhejiang, the Group was able to provide integrated energy efficiency solutions services including design, manufacturing, consultation, installation and assembly services to customers.

The Group has continuously dedicated its effort in research and development through updating its technology and products development in order to maintain the pioneer position in the energy efficiency solutions industry. Looking forward to the coming quarters, the Group will continue to look for appropriate investment opportunities in the energy efficiency sector with reasonable earnings.

## **Liquidity and Financial Resources**

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Cash and bank balances as at 31 December 2013 was approximately RMB2,250,000 (30 June 2013: approximately RMB3,757,000). At 31 December 2013, the Group's current ratio was 1.5 (30 June 2013: 1.7), based on the current assets of approximately RMB43,246,000 and current liabilities of approximately RMB29,371,000. Increase in current assets and current liabilities were mainly attributable to increase in trade and other receivables and trade and other payables resulting from the acquisition of a subsidiary in August 2013. The gearing ratio was approximately 62.2% as at 31 December 2013. (30 June 2013: 74.0%). The gearing ratio is calculated as current liabilities divided by total equity.

## **Exposure to fluctuations in exchange rates and related hedges**

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

## **Capital Structure**

As at 31 December 2013, the Company's total number of issued shares was 1,899,680,000 shares of HK\$0.005 each (30 June 2013: 1,834,040,000 shares of HK\$0.005 each). Details of the capital structure of the Company are set out in note 11 to the condensed consolidated financial statement.

## **Acquisition/Disposal and Significant Investments**

On 22 August 2013, the Group completed the acquisition of the Sale Share and the Sale Loans of Luck Shamrock Limited at a total consideration of HK\$25,420,000, satisfied by the issue of a total of 62,000,000 consideration shares at the issue price of HK\$0.41 per consideration share.

Luck Shamrock Limited was 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, a company 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 in August 2013. Details of the acquisition are set out in note 13 of the condensed consolidated financial statement.

## **Capital Commitments**

As at 31 December 2013, the Group did not have any capital commitments.

## **Contingent Liabilities**

As at 31 December 2013, the Directors are not aware of any material contingent liabilities.

## **Employees and Remuneration Policies**

At 31 December 2013, the Group had 53 (31 December 2012: 71) full-time employees. Staff costs amounted to approximately RMB2,069,000 for the six months ended 31 December 2013 (31 December 2012: approximately RMB2,167,000). The Group's remuneration policy remained the same as detailed in the Company's 2013 annual report.

## **DIVIDEND**

The directors do not recommend the payment of any dividend for the six-months ended 31 December 2013 (31 December 2012: Nil).

## **AUDIT COMMITTEE**

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

The unaudited financial results for the six months ended 31 December 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

## PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN INTERESTS

At 31 December 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

20	Name of Directors	Nature of interest	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately
							percentage of total issued shares as at 31 December 2013
	Mr. Xu Bo	Corporate	(1)	1,270,574,400	—	1,270,574,400	
		Personal	(2)	—	440,000	440,000	
						<u>1,271,014,400</u>	<u>66.91%</u>
	Dr. Wu Chun Wah	Corporate	(1)	127,057,440	—	1,270,574,400	
		Personal	(3)	440,000	—	440,000	
						<u>1,271,014,400</u>	<u>66.91%</u>
	Dr. Ma Jun	Personal	(4)	—	8,000,000	8,000,000	0.42%
	Mr. Cheong Ying Chew, Henry	Personal	(5)	—	880,000	880,000	0.05%
	Mr. Leung Heung Ying	Personal	(5)	—	880,000	880,000	0.05%
	Dr. Zhao Bin	Personal	(5)	—	880,000	880,000	0.05%

*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 Dr. 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 Mr. Xu Bo. These share options were granted on 2 Jun 2011 and are exercisable as 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 440,000 shares held by Dr. Wu Chun Wah.
- (4) The interest disclosed represents the personal interest in 8,000,000 underlying shares in respect of the 8,000,000 share options granted by the Company to Dr. Ma Jun. 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
- (5) 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
- (6) All the interests disclosed above represent long position in the shares of the Company.

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Save as disclosed above and in the section headed “Substantial Shareholders’ Interest in Securities” below, as at 31 December 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 31 December 2013, save as disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” above for interests of Mr. Xu Bo and Dr. Wu Chun Wah and each of their associates including Million Sino Investments Limited, in shares and underlying shares of the Company, the following persons had or deemed to have an interest in the shares and the underlying shares of the Company which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 December 2013
Ms Chen Li	Interest of spouse	(1)	<u>1,270,574,400</u>	<u>440,000</u>	<u>1,271,014,400</u>	<u>66.91%</u>
Ms Lee Siu Yee, Brenda	Interest of spouse	(2)	<u>1,271,014,400</u>	<u>—</u>	<u>1,271,014,400</u>	<u>66.91%</u>

### 22 Notes:

- (1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 127,057,440 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 Dr. Wu Chun Wah, is also deemed to be interested in such 1,271,014,400 shares in which Dr. Wu Chun Wah is deemed to be interested.
- (3) All the interests disclosed above represent long position in the shares of the Company.

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

## SHARE OPTION SCHEME

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

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

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

Details of movements in the share options during six months ended 31 December 2013 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			Balance as at 31.12.2013
		Balance as at 1.7.2013	Granted during the period	Exercised during the period	
<i>Executive Directors:</i>					
Wu Chun Wah	2.6.2012-1.6.2014	440	—	440	—
Ma Jun	2.6.2012-1.6.2014	8,000	—	—	8,000
<i>Non-Executive Directors:</i>					
Xu Bo	2.6.2012-1.6.2014	440	—	—	440
<i>Independent Non-Executive Directors:</i>					
Cheong Ying Chew, Henry	2.6.2012-1.6.2014	880	—	—	880
Leung Heung Ying	2.6.2012-1.6.2014	880	—	—	880
Zhao Bin	2.6.2012-1.6.2014	880	—	—	880
Employees	2.6.2012-1.6.2014	19,500	—	200	19,300
Other eligible persons	2.6.2012-1.6.2014	34,500	—	3,000	31,500
<b>Total</b>		<b>65,520</b>	<b>—</b>	<b>3,640</b>	<b>61,880</b>



*Notes:*

- (1) All share options were granted on 2 June 2011 and the exercise price is HK\$3.55 per share.
- (2) The closing price of the shares of the Company immediately before the date on which the share options were granted (i.e. 1 June 2011) was HK\$3.55.
- (3) 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. As a result of the Share Subdivision having become effective on 23 April 2013 and pursuant to the terms of the Shares Option Scheme, the exercise price of the Shares to be allotted was adjusted to HK\$0.355.
- (4) No share options were cancelled under the Share Option Scheme during the period.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at 31 December 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 period.

## **COMPLIANCE WITH CODE OF BEST PRACTICE**

- 24** 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 specific term, subject to re-election. The Company has deviated from the provision in that the Non-executive Directors and 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 the re-election requirements of Non-executive Directors and Independent Non-executive Directors have given the Company’s shareholders the right to approve continuation of Independent Non-executive Directors’ offices.

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 attend the annual general meeting of the Company held on Wednesday, 13 November 2013 (“2013 AGM”) 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 2013 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 2013 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 period ended 31 December 2013.

#### **ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings (“Standard Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the six months ended 31 December 2013.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 31 December 2013.

By order of the Board

**Xu Bo**  
*Chairman*

Hong Kong, 13 February 2014

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

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