Creative Energy Solutions Holdings Limited

科 瑞 控 股 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2014

Annual Report

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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

Dr. Wu Chun Wah, Michael *(Chief Executive Officer)*
Dr. Ma Jun

NON EXECUTIVE DIRECTOR

Mr. Xu Bo *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin
Mr. Lau Yu Ching

COMPLIANCE OFFICER

Dr. Wu Chun Wah, Michael

COMPANY SECRETARY

Mr. Wong Chi Wai

COMMITTEES

AUDIT COMMITTEE

Mr. Lau Yu Ching *(Chairman)*
Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin

NOMINATION COMMITTEE

Dr. Zhao Bin *(Chairman)*
Mr. Xu Bo
Mr. Lau Yu Ching
Mr. Cheong Ying Chew, Henry

REMUNERATION COMMITTEE

Mr. Lau Yu Ching *(Chairman)*
Mr. Xu Bo
Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin

AUTHORISED REPRESENTATIVES

Dr. Wu Chun Wah, Michael
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 1207, 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

徐州安邦自動化設備有限公司
Xuzhou Anbang Automatic Equipment Co. Ltd*
Room 503, Block 1,
241 West Huaihai Road,
Xuzhou City
Jiangsu Province
PRC

GEM STOCK CODE

8109

COMPANY WEBSITE

www.hklistedco.com/8109.asp

* *For identification purposes only*

Chairman's Statement

On behalf of the Board of 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 2014.

REVIEW OF RESULTS

For the year ended 30 June 2014, the Group's turnover was approximately RMB15,049,000. The Group recorded a net loss of approximately RMB20,626,000 for the year ended 30 June 2014.

BUSINESS OPERATION

2014 was a difficult year for the Group. Facing the severe operating environment, various iron and steel mills, cement plants, coal refining plants and heavy industrial plants postponed or suspended the construction of new production facilities as well as the energy saving programs.

The significant decrease in demand of energy efficient and savings services triggered the cut-throat competition in the energy efficiency market, some energy saving solution providers even accepted energy management contracts at loss with prolonged return periods.

In light of the ambiguous economic environment and deteriorated financial position of most of heavy industrial plants to which they are our major existing or targeted clients, the Group has adopted a conservative and prudent business policy for suspension of energy management contract arrangement for procurement of energy saving solution services. Most of our energy saving services and engagements were then undertaken on cash or short credit term basis.

The new conservative business policy had material adverse effect on both our subsidiaries in Shaoxing and Xuzhou. Given the deteriorated business performance of both Shaoxing and Xuzhou subsidiaries, a provision for impairment of goodwill of approximately RMB6 million and RMB8 million were recognised to reflected to fair value of the investment cost respectively.

PROSPECTS

Facing to the fierce competition in the energy savings industry as well as the poor economic environment, the Group will continue to implement the conservative business policy but promote our high quality energy saving solutions and products to our established and high value clients.

For the energy savings and lighting services, our Shaoxing's subsidiary will put more efforts in exploring the export business given the accreditations of safety standards and requirements of various countries. To enhance our competitive advantages, the Group will dedicate in putting more resources in research and development in order to upgrade our technology and service in response to the market demand of high quality energy efficiency and saving solutions and products.

Chairman's Statement

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, 30 September 2014

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 2014 (the "Reporting Period").

The Company is acting as the 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.

BUSINESS REVIEW

2014 was a difficult year for the Group. China property market woes intensified with continuous decline in real estate sales and price coupled with weakened domestic demand. China economic slowdown deepened as the structural transformation of economy continued. The recent economic downturn has caused more significant adverse impact on infrastructural related industries as the demand of steel, cement, coal and aluminum dropped dramatically leading to sharp deceleration in industrial output and increased idle capacity. Facing the severe operating environment, various iron and steel mills, cement plants, coal mining and refining plants and heavy industrial plants postponed or suspended the construction of new production facilities as well as the energy saving programs. The situation became conspicuous in early and mid of 2014 when certain rules and policies related to restriction to pollution and excessive production capacity were imposed by China government.

The significant decrease in demand of energy efficient and saving services triggered the cut-throat competition in the energy efficiency market. To capture the limited business opportunities, some energy saving solution providers even accepted energy management contracts at loss with prolonged return periods. Some of our clients have decided to cancel or request for re-tendering of the contracts the Group has been awarded. In light of the ambiguous economic environment and deteriorated financial position of most of heavy industrial plants to which they are our major existing or targeted clients, the Group has adopted a conservative and prudent business policy for suspension of energy management contract arrangement for procurement of energy saving solution services. Energy management contract refers to the contract the energy saving solution providers assume all the facilities and construction costs and the employers obliged to share the energy savings with the service providers for an agreed contract period. Most of our energy saving services and engagements were then undertaken on cash or short credit term basis. Despite of such new policy resulting in significant loss of sales due to unavailability of energy management contract, it enables the Group to better monitor its credit risk and financial pressure.

In this respect, turnover for both of energy savings and efficiency solutions and energy savings and lighting services has declined by approximately 24% and 42% respectively albeit after the acquisition of the wholly-owned subsidiary in Xuzhou, Jiangsu Province, China. Overall turnover of the Group has declined by approximately 26%. The new conservative business policy had particularly material adverse effect on both our subsidiaries in Shaoxing and Xuzhou. After the relocation and production capacity expansion completed in early 2013, Shaoxing lighting plant was planned to engage in major public lighting works and modification of lighting for highways programs which were to a large extent under the energy management contract basis. However, the new policy made it difficult for them to be awarded for the major public lighting projects. To cope with the changes, Shaoxing subsidiary spent reasonable effort to expand its overseas market by obtaining the accreditation for safety tests. Shaoxing subsidiary has successfully stepped into the South Korea lighting market. Shaoxing subsidiary is further exploring the export sales to other overseas countries. For the year ended 30 June 2014, approximately 10% of the turnover for energy savings and lighting services was generated from export sales to South Korea. Xuzhou subsidiary experienced a more severe market environment in the last year. Most of their clients were heavy industrial companies and they were all suffering of the decline of production demand. Furthermore, significant business turnover of Xuzhou subsidiary was contributed from major energy saving works on energy management contract basis since its inception. Under the new business policy, a significant portion of the signed contracts were terminated and Xuzhou subsidiary needs times to develop new clients and explore now business opportunities. As a result, the turnover of Xuzhou dropped over 90% for the last year.

Given the deteriorated business performance of both Shaoxing and Xuzhou subsidiaries, a provision for impairment of goodwill of approximately RMB6 million and RMB8 million were recognised to reflect the fair value of the investment cost respectively.

FINANCIAL REVIEW

The Group's turnover for the year ended 30 June 2014 was decreased from approximately RMB20 million for the year ended 30 June 2013 to RMB15 million in the current year, which was represented a decrease of approximately RMB5,149,000 or 25.5%.

The Group's gross profit for the year ended 30 June 2014 decreased to approximately RMB1,283,000 (2013: approximately RMB1,817,000).The gross profit margin was slightly reduced to approximately 8.5% for the year ended 30 June 2014 as compared to 9% for the year ended 2013. Both the decrease in gross profit and gross profit margin for the year ended 30 June 2014 reflected the poor operating environment of the Group.

Due to the new business policy resulting in slow business performance, distribution cost for the year ended 30 June 2014 dropped significantly for about 77% to approximately RMB461,000, as compared to previous year (2013: approximately RMB2,017,000), Decrease in distribution cost was mainly composed of travelling expenses and entertainment of approximately RMB577,000, salaries and wages of approximately RMB480,000 and expenses relating to patent application of approximately RMB380,000.

Administrative expenses for the year ended 30 June 2014 was approximately RMB7,633,000, was decreased approximately RMB12,000 or 0.1% as compared with the previous year (2013: approximately RMB7,645,000).

The Group recorded a net loss of approximately RMB20,626,000 for the year ended 30 June 2014, representing an increase of approximately RMB12,888,000 or 166.5% as compared to the previous year (2013: approximately RMB7,738,000). Significant increase in net loss was a result of provision of impairment loss of goodwill of RMB14 million.

Loss per share for the year ended 30 June 2014 was RMB1.05 cents (2013: RMB0.37 cents)

FINANCIAL POSITION

As at 30 June 2014, the net current assets was approximately RMB12,249,000 (2013: RMB16,233,000) of which approximately RMB1,462,000 were cash and cash equivalents (2013: approximately 3,757,000). The Group had no bank borrowing as at 30 June 2014 (2013: Nil).

PROSPECTS

Facing to the fierce competition in the energy savings industry as well as the poor economic environment, the Group will continue to implement the conservative business policy but promote our high quality energy saving solutions and products to our established and high value clients.

For the energy savings and lighting services, our Shaoxing's subsidiary will put more efforts in exploring the export business given the accreditations of safety standards and requirements of various countries. To enhance our competitive advantages, the Group will dedicate in putting more resources in research and development in order to upgrade our technology and service in response to the market demand of high quality energy efficiency and saving solutions and products.

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 2014 was approximately RMB1,462,000 (2013: approximately RMB3,757,000). As at 30 June 2014, the Group current ratio was 1.3 (2013: 1.7), comprised current assets of approximately RMB45,218,000 and current liabilities of approximately RMB32,969,000. Increase in current assets and current liabilities were mainly attributable to trade and other receivable and trade and other payables from the acquisition of a subsidiary during the year. The gearing ratio was approximately 105.2% (2013: 74.0%) as at 30 June 2014, which was computed as total liabilities divided by total equity.

CAPITAL COMMITMENTS

As at 30 June 2014, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2014, 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 2014, the Group had 35 (2013: 71) full-time employees. Staff costs for the Reporting Period was approximately RMB4,051,000 (2013: approximately RMB4,767,000)

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 2014 (2013: Nil).

PLEDGE OF ASSETS

As at 30 June 2014, the Group did not have any pledged assets.

Biographical Information of Directors

EXECUTIVE DIRECTORS

Dr. WU Chun Wah, Michael

Dr. Wu, aged 49, is an executive director and Chief Executive Officer of the Company. Dr. Wu holds a doctor degree in business administration and a master degree in corporate governance from the Hong Kong Polytechnic University. He also holds a master degree in business administration from Northeast Louisiana University, 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 Secretary and Administrators. He was an executive director of Incutech Investments Limited (listed on the Hong Kong Stock Exchange). Dr. Wu has extensive experience in financial investment and corporate finance.

Dr. MA Jun

Dr. Ma, aged 39, is the chief operation officer of the Company and general manager of Beijing Creative Easy Union Science and Technology of Saving Development Co., Ltd# (北京科瑞易聯節能科技發展有限公司) and Beijing Creative Energy Tiancheng Technology Co., Ltd# (北京科瑞天誠科技有限公司). He is also director of Zhejiang Creative Energy Lighting Technology Company Limited# (浙江科瑞照明技術有限公司) and Xuzhou Anbang Automatic Equipment Co. Ltd# (徐州安邦自動化設備有限公司). All of aforementioned companies are indirect subsidiaries of the Company. He has extensive research experience in computerized control system for thermal energy saving. Dr. Ma holds a doctorate degree in computer technology and application engineering from Tsinghua University, the PRC.

NON-EXECUTIVE DIRECTORS

Mr. XU Bo

Mr. Xu, aged 53, is a non-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.

For identification purposes only

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEONG Ying Chew, Henry

Mr. Cheong, aged 66, 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, Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited), Hutchison Telecommunications Hong Kong Holdings Limited, New World Department Store China Limited, and TOM Group Limited, all being listed companies in Hong Kong, an Independent Director of BTS Group Holdings Public Company Limited, a company listed in Thailand. Mr. Cheong is an executive Director and Deputy Chairman of Worldsec Limited, a company listed in London. Mr. Cheong is a member of the Securities and Futures Appeals Tribunal, a member of the Advisory Committee of the Securities and Futures Commission. Mr. Cheong holds a Bachelor of Science degree in Mathematics and a Master of Science degree in Operational Research and Management.

Dr. ZHAO Bin

Dr. Zhao, aged 40, 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. LAU Yu Ching

Mr. Lau, aged 51, is chief financial officer of a private manufacturing group since 2006 responsible for the overall finance, accounting and auditing function of the group. Prior to his present employment, Mr. Lau worked as the chief financial officer for a company listed on the main board of the Stock Exchange from 1996 to 2006. He was employed by Deloitte Touche Tohmatsu from 1992 to 1996. He holds a bachelor's degree in statistics from the University of Western Ontario, Canada and is a fellow member of the Association of Chartered Certified Accountants since 1996 and a member of the Hong Kong Institute of Certified Public Accountants since 1997. Mr. Lau has extensive experience in financial and accounting field.

Report of the Directors

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 2014.

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 2014 are set out in note 16 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30 June 2014 and the state of the affairs of the Group as at that date are set out in the financial statement on pages 29 to page 81.

SHARE CAPITAL AND RESERVES

As at 30 June 2014, the total number of shares issued by the Company was 1,902,490,000 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 31.

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 82. 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 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 2014.

CONNECTED TRANSACTIONS

During the year ended 30 June 2014, 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. Lau Yu Ching (as chairman), Mr. Cheong Ying Chew, Henry and Dr. Zhao Bin. The Company's annual results for the year ended 30 June 2014 have been reviewed by the audit committee of the Company.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 June 2014, 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 2014.

Report of the Directors

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:
Dr. Wu Chun Wah, Michael *(executive director and Chief Executive Officer)*
Dr. Ma Jun (appointed on 21 November 2013)

Non-executive directors:
Mr. Xu Bo (re-designated as non-executive director and Chairman on 21 November 2013)

Independent non-executive directors:
Mr. Cheong Ying Chew, Henry
Dr. Zhao Bin
Mr. Lau Yu Ching (appointed on 27 June 2014)
Mr. Leung Heung Ying (resigned on 27 June 2014)

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

Mr. Xu Bo has been re-designated from an executive director and Chairman of the Board to non-executive director with effect from 21 November 2013 and remains the Chairman of the Board. Mr. Xu has entered into a service agreement with the Company as non-executive director which employment was commenced on 21 November 2013 and continued thereafter until terminated by two months' notice in writing served by either party on the other.

Dr. Ma Jun was appointed as executive director of the Board on 21 November 2013 to fill the casual vacancy created by the re-designation of Mr. Xu Bo from executive director to non-executive director of the Board. Dr. Ma has entered into a service agreement with the Company as executive director which employment was commenced on 21 November 2013 and continued thereafter until terminated by two months' notice in writing served by either party on the other. Dr. Ma will retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with the Bye-law 86(2) of the Company's Bye-Laws, Mr. Lau Yu Ching, who was appointed as independent non-executive Director of the Board on 27 June 2014 to fill the casual vacancy created by the resignation of Mr. Leung Heung Ying as independent non-executive Director, will retire 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 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 2014, 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 2014
Mr. Xu Bo	Corporate	(1)	1,270,574,400	–	1,270,574,400	66.78%
Dr. Wu Chun Wah, Michael	Corporate	(1)	1,270,574,400	–	1,270,574,400	
	Personal	(2)	440,000	–	440,000	
					1,271,014,400	66.81%

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, Michael.

(2) The interest disclosed represents the personal interest in 440,000 shares held by Dr. Wu Chun Wah, Michael.

(3) 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 2014, 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 2014, 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 Dr. Wu Chun Wah, Michael 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 2014
Ms Chen Li	Interest of spouse	(1)	1,270,574,400	–	1,270,574,400	66.78%
Ms Lee Siu Yee, Brenda	Interest of spouse	(1)	1,270,014,400	–	1,271,014,400	66.81%

Notes:

(1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 1,270,574,400 shares in which Mr Xu Bo is deemed to be interested.

(2) Ms Lee Siu Yee, Brenda, the spouse of Dr. Wu Chun Wah, Michael, is deemed to be interested in such 1,270,014,400 shares in which Dr. Wu Chun Wah, Michael 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 2014, 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 2014, 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	37.2%
– five largest suppliers combined	83.0%
Sales	
– the largest customer	41.3%
– five largest customers combined	87.4%

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.

Report of the Directors

CORPORATE GOVERNANCE CODE

A report on the principle corporate governance practices adopted by the Company is set out on page 19 of the Annual Report.

PUBLIC FLOAT

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

AUDITORS

The 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.

On behalf of the Board
Wu Chun Wah, Michael
Executive Director

Hong Kong, 30 September 2014

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.

CORPORATE GOVERNANCE CODE

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 Corporate Governance Code ("CG Code") 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 attended 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 year ended 30 June 2014.

Corporate Governance Report

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, one non-executive director and three independent non executive Directors. Biographies of all the Directors and the relationships (if any) among them are set out on pages 10 to 11 of this annual report.

The executive Directors include Dr. Wu Chun Wah, Michael and Dr. Ma Jun. Mr. Xu Bo was re-designated from an executive director to non-executive director on 13 November 2013. 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. Lau Yu Ching 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 Directors	
Dr. Wu Chun Wah, Michael	Yes
Dr. Ma Jun	Yes
Non-executive Directors	
Mr. Xu Bo	Yes
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	Yes
Dr. Zhao Bin	Yes
Mr. Lau Yu Ching	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 2014

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

Name of Director	Number of Attendance Attended/Eligible to attend
Executive Directors	
Dr. Wu Chun Wah, Michael	5/5
Dr. Ma Jun	5/5
Non-executive Director	
Mr. Xu Bo	5/5
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	5/5
Dr. Zhao Bin	5/5
Mr Lau Yu Ching	0/0
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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Xu Bo is the Chairman of the Board and Dr. Wu Chun Wah, Michael 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 Dr. Wu are the shareholders of, each holding 50% interest in, Million Sino Investments Limited, being the controlling shareholder of the Company. Dr. Wu Chun Wah, Michael also has personal interest in 440,000 shares 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. Lau Yu Ching (Chairman), Mr. Cheong Ying Chew, Henry, Dr. Zhao Bin and one non-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 2014, the Remuneration Committee held two meeting on 24 September 2013 and 27 June 2014 respectively 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
Non-executive Directors	
Mr. Xu Bo	2/2
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	2/2
Dr. Zhao Bin	2/2
Mr Lau Yu Ching	0/0
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. Lau Yu Ching, Mr. Cheong Ying Chew, Henry, Dr. Zhao Bin and a non-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.

The nomination committee held 2 meetings during the year ended 30 June 2014. The attendances of the meeting of the nomination committee are as follows:

Name of Director	**Number of Attendance Attended/Eligible to attend**
Non-executive Directors	
Mr. Xu Bo	2/2
Independent non-executive directors	
Mr. Cheong Ying Chew, Henry	2/2
Dr. Zhao Bin	2/2
Mr. Lau Yu Ching	0/0
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 2014, approximately RMB398,000 (2013: approximately RMB363,000) 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. Lau Yu Ching (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 2014, 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. Lau Yu Ching	0/0
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

Throughout the year, the Company complied with the code provisions on internal controls as stipulated in the CG Code. In particular, during the year the Company conducted a review of the effectiveness of the internal control system of the Group. The Directors are satisfied that the prevailing internal control systems as appropriate to the Group are in place and have been implemented properly and that no significant areas of improvement which are required to be brought to the attention to the members of the Audit Committee are revealed. The Audit Committee has reviewed the internal control and discussed the assessment bases with the management, and concurred that the Company has set up an effective 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 21 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 ar 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 29 to 81, which comprise the consolidated balance sheet as at 30 June 2014, 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 2014 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, 30 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2014

	Notes	**2014 RMB'000**	2013 RMB'000
Turnover	6	**15,049**	20,198
Cost of sales/services rendered		**(13,766)**	(18,381)
Gross profit		**1,283**	1,817
Other income	7	**186**	108
Distribution costs		**(461)**	(2,017)
Administrative expenses		**(7,633)**	(7,645)
Impairment loss on goodwill	15	**(14,000)**	—
Loss before taxation	8	**(20,625)**	(7,737)
Taxation	9	**(1)**	(1)
Loss for the year		**(20,626)**	(7,738)
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		**(164)**	(166)
Total comprehensive expense for the year		**(20,790)**	(7,904)
Loss for the year attributable to:			
— Equity shareholders of the Company	11	**(19,921)**	(6,811)
— Non-controlling interests		**(705)**	(927)
		(20,626)	(7,738)
Total comprehensive expense for the year attributable to:			
— Equity shareholders of the Company		**(20,085)**	(6,977)
— Non-controlling interests		**(705)**	(927)
		(20,790)	(7,904)
Loss per share			
Basic	13	**(1.05) cents**	(0.37) cents

The notes on pages 33 to 81 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 30 June 2014

	Notes	2014 RMB'000	2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**1,292**	1,722
Goodwill	15	**17,791**	12,126
Available-for-sale financial assets	17	**—**	—
		19,083	13,848
CURRENT ASSETS			
Inventories	18	**3,128**	2,510
Trade and other receivables	19	**40,628**	32,224
Cash and bank balances		**1,462**	3,757
		45,218	38,491
CURRENT LIABILITIES			
Trade and other payables	20	**32,969**	22,257
Current tax payables		**—**	1
		32,969	22,258
NET CURRENT ASSETS		**12,249**	16,233
NET ASSETS		**31,332**	30,081
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	21	**8,348**	8,076
Reserves		**19,813**	18,129
		28,161	26,205
Non-controlling interests		**3,171**	3,876
TOTAL EQUITY		**31,332**	30,081

The consolidated financial statements were approved and authorised for issue by the Board of directors on 30 September 2014 and are signed on its behalf by:

Wu Chun Wah, Michael
Director

Ma Jun
Director

The notes on pages 33 to 81 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2014

	Attributable to equity shareholders of the Company							
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 July 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)
Exchange difference arising from translation of financial statements of operations outside Mainland China	–	–	–	(166)	–	(166)	–	(166)
Total comprehensive expense for the year	–	–	–	(166)	(6,811)	(6,977)	(927)	(7,904)
Realised upon lapse of share options	–	–	(4,680)	–	4,680	–	–	–
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
Loss for the year	–	–	–	–	(19,921)	(19,921)	(705)	(20,626)
Exchange difference arising from translation of financial statements of operations outside Mainland China	–	–	–	(164)	–	(164)	–	(164)
Total comprehensive expense for the year	–	–	–	(164)	(19,921)	(20,085)	(705)	(20,790)
Realised upon lapse of share options	–	–	(4,227)	–	4,227	–	–	–
Shares issued upon exercise of share options	26	2,254	(462)	–	–	1,818	–	1,818
Issue of Consideration Shares *(note 21)*	246	19,977	–	–	–	20,223	–	20,223
At 30 June 2014	8,348	124,756	–	5,382	(110,325)	28,161	3,171	31,332

The notes on pages 33 to 81 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Loss before taxation		**(20,625)**	(7,737)
Adjustments for:			
Interest income		**(6)**	(12)
Depreciation		**503**	449
Impairment loss on goodwill		**14,000**	—
Loss on disposal of property, plant and equipment		**6**	198
Operating cash flows before changes in working capital		**(6,122)**	(7,102)
(Increase)/decrease in inventories		**(463)**	405
Decrease/(increase) in trade and other receivables		**6,101**	(10,801)
(Decrease)/increase in trade and other payables		**(4,153)**	4,952
Cash used in operation		**(4,637)**	(12,546)
Tax paid		**(2)**	—
Net cash used in operating activities		**(4,639)**	(12,546)
Investing activities			
Purchase of property, plant and equipment		**—**	(288)
Interest received		**6**	12
Proceeds from disposal of property, plant and equipment		**5**	—
Net cash inflow on acquisition of a subsidiary	24	**523**	—
Net cash generated from/(used in) investing activities		**534**	(276)
Financing activities			
Proceeds from exercise of share options		**1,818**	—
Capital injection by non-controlling interests		**—**	2,450
Net cash generated from financing activities		**1,818**	2,450
Net decrease in cash and cash equivalents		**(2,287)**	(10,372)
Effect of change in foreign exchange rate		**(8)**	(233)
Cash and cash equivalents at the beginning of the year		**3,757**	14,362
Cash and cash equivalents at the end of the year		**1,462**	3,757
Analysis of balances of cash and cash equivalents			
Cash and bank balances		**1,462**	3,757

The notes on pages 33 to 81 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 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

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"), the collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622) "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of 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 the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

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

(a) Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

(a) Basis of consolidation *(continued)*

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the balance sheet date in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

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

(b) 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(d)).

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.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently whenever there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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

(d) Impairment of assets

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

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

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

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

(d) Impairment of assets *(continued)*

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

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.

(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; and

— goodwill.

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

(d) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

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 costs of disposal 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 of disposal (if measurable), or value in use, (if determinable).

— Reversals of impairment losses

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

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

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

(e) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently carried at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. The Group's loans and receivables comprise 'Trade and other receivables' and 'Cash and bank balances' in the consolidated balance sheet.

(ii) Available-for-sale-financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

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. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are recognised initially at fair value, plus transaction costs incurred and subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income and accumulated separately in equity in the translation reserve. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income and accumulated separately in equity in the fair value reserve.

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

(e) Financial assets *(continued)*

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified through other comprehensive income to the income statement.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

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.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(f) 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.

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

(g) 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.

(h) 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.

(i) 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(l)(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.

(j) 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.

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

(j) Income tax *(continued)*

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.

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)*

(j) 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.

(k) 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)*

(k) 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).

(l) 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 is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transactions for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. 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.

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

(l) Financial guarantee issued, provisions and contingent liabilities *(continued)*

(i) Financial guarantees issued (continued)

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

(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.

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

(m) 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.

(n) 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.

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

(n) Foreign currency translation *(continued)*

(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.

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.

(o) 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.

(p) 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.

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

(p) Segment reporting *(continued)*

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.

(q) 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 a number of new HKFRS and amendments to 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:

— HKFRS 10, *Consolidated financial statements*
— HKFRS 11, *Joint arrangements*
— HKFRS 12, *Disclosure of interests in other entities*
— HKFRS 13, *Fair Value measurement*
— *Annual improvements to HKFRSs 2009-2011 Cycle*
— Amendments to HKFRS 7 — *Disclosures— Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 31). Impacts of the adoption of the new or amended HKFRS are discussed below:

HKFRS 10, Consolidated financial statements

HKFRS 10, replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the presentation of consolidated financial statements and HK-SIC 12 Consolidation — Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determine whether it has control over an investee. The adoption does not change any of the control conclusion reached by the Group in respect of its involvement with other entities as at 1 July 2013.

HKFRS 11, Joint arrangements

HKFRS 11, which replaces HKAS 31, Interests in joint ventures, divides joint arrangements into joint operations and joint ventures. Entities are required to determine the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangement which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. Proportionate consolidation is no longer allowed as an accounting policy choice. However, the Group does not have any joint ventures.

4. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structure entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. This new standard affects only disclosure, there is no effect on the Group's financial position and performance. The adoption of this new standard does not result in additional disclosures.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. These amendments do not have any material impact on the results of operations and financial position of the Group for the years presented.

Amendments to HKFRS 7 — Disclosure — Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: *Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these consolidated financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7 during the years presented.

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(d)(ii). Determining whether goodwill is impaired requires an estimation of the recoverable amount which is the higher of the value in use and fair value less cost to sell of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, a material impairment loss may arise. As at 30 June 2014, the carrying amount of goodwill is RMB17,791,000 (net of accumulated impairment loss of RMB14,000,000) (2013: carrying amount of RMB12,126,000 net of accumulated impairment loss of Nil). Details of the recoverable amount calculation are disclosed in note 15.

(ii) 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).

6. TURNOVER AND SEGMENT INFORMATION

Turnover represents revenue arising from provision of energy saving services and efficiency solutions 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:

	2014 RMB'000	**2014 %**	2013 RMB'000	2013 %
Energy savings and efficiency solutions services and sales of related products	**12,532**	**83**	16,517	82
Energy savings and lighting services and sales of related products	**1,970**	**13**	3,388	17
Others	**547**	**4**	293	1
	15,049	**100**	20,198	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 2014 and 2013 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:

	2014 **RMB'000**	2013 RMB'000
Customer A	**6,221**	—
Customer B	**3,384**	6,220
Customer C	**1,671**	*
Customer D	*	5,175
Customer E	*	2,041
	11,276	13,436

* Less than 10% of total revenue

7. OTHER INCOME

	2014 **RMB'000**	2013 RMB'000
Bank interest income	**6**	12
Exchange gain, net	**151**	—
Sundry income	**29**	96
	186	108

8. LOSS BEFORE TAXATION

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

	2014 **RMB'000**	2013 RMB'000
Staff costs (including directors' remuneration):		
— Salaries and other benefits	**3,835**	4,519
— Retirement benefits scheme contributions	**216**	248
	4,051	4,767
Depreciation of property, plant and equipment	**503**	449
Operating lease rentals of premises	**976**	944
Auditors' remuneration	**398**	363
Loss on disposal of property, plant and equipment	**6**	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 (2013: Nil).

(iii) PRC enterprise income tax

Taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the PRC.

9. TAXATION *(continued)*

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

	2014 RMB'000	2013 RMB'000
Loss before taxation	**(20,625)**	(7,737)
Tax calculated at the applicable tax rates	**(3,584)**	(1,572)
Tax effect of non-deductible expenses	**3,053**	707
Tax effect of unused tax losses not recognised	**618**	1,157
Tax effect of tax losses utilised	**—**	(146)
Tax effect of other temporary differences not recognised	**(86)**	(145)
Taxation charge	**1**	1

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Directors' remuneration for the year, disclosed pursuant to Listing Rules and Section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to Section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32), is as follows:

Name of Directors	**Directors' fees RMB'000**	**Salaries, allowances and benefits in kind RMB'000**	**Retirement benefits scheme contributions RMB'000**	**Total RMB'000**
2014				
Executive Directors:				
Wu Chun Wah, Michael *(note 1)*	–	477	24	501
Ma Jun *(note 2)*	–	411	3	414
Xu Bo *(note 3)*	–	186	–	186
Non-Executive Director:				
Xu Bo *(note 3)*	58	–	–	58
Independent Non-Executive Directors:				
Cheong Ying Chew, Henry	95	–	–	95
Zhao Bin	95	–	–	95
Leung Heung Ying *(note 4)*	94	–	–	94
Lau Yu Ching *(note 5)*	1	–	–	1
Total	343	1,074	27	1,444

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	Total RMB'000
2013				
Executive Directors:				
Xu Bo	–	484	–	484
Wu Chun Wah, Michael *(note 1)*	–	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

(1) Dr. Wu Chun Wah, Michael is also the chief executive officer and his emoluments disclosed above include those for services rendered by him as the chief executive officer.

(2) On 21 November 2013, Dr. Ma Jun is appointed as an executive director of the Company.

(3) Mr. Xu Bo, an executive director, has been re-designated as the non-executive director with effect from 21 November 2013.

(4) Mr. Leung Heung Ying was resigned as the independent non-executive director with effect from 27 June 2014.

(5) On 27 June 2014, Mr. Lau Yu Ching is appointed as an independent non-executive director of the Company.

There was no arrangement under which a director waived and agreed to waive any remuneration during the years ended 30 June 2014 and 2013.

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2013: two) were directors of the Company whose emoluments were included in note (a) above. The emoluments of the remaining two (2013: three) individuals were as follows:

	2014 **RMB'000**	2013 RMB'000
Salaries, allowances and benefits in kind	**1,110**	1,080
Retirement benefits scheme contributions	**40**	50
	1,150	1,130

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

	2014	2013
RMB nil to RMB1,000,000	**2**	3

11. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Loss of RMB50,906,000 (2013: RMB3,082,000) for the year ended 30 June 2014 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 2014 (2013: Nil).

13. 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 year ended 30 June 2014 of RMB19,921,000 (2013: RMB6,811,000) and the weighted average number of 1,891,013,726 (2013: 1,834,040,000) ordinary shares in issue during the year.

No diluted loss per share is presented as the Company did not have any potential shares outstanding.

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 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
Currency realignment	(1)	–	–	–	(1)
Acquired on acquisition of subsidiaries	–	–	228	–	228
Disposals	–	(22)	–	–	(22)
At 30 June 2014	476	2,051	1,168	1,518	5,213
Accumulated depreciation					
At 1 July 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
Currency realignment	(1)	–	–	–	(1)
Acquired on acquisition of subsidiaries	–	–	144	–	144
Charge for the year	100	46	207	150	503
Written back on disposals	–	(11)	–	–	(11)
At 30 June 2014	309	1,961	1,084	567	3,921
Net book value					
At 30 June 2014	167	90	84	951	1,292
At 30 June 2013	267	147	207	1,101	1,722

15. GOODWILL

	RMB'000
Cost	
At 1 July 2012 and at 30 June 2013	12,126
Acquisition of a subsidiary *(note 24)*	19,665
At 30 June 2014	31,791
Accumulated impairment losses	
At 1 July 2012 and at 30 June 2013	—
Impairment loss for the year	14,000
At 30 June 2014	14,000
Net book value	
At 30 June 2014	17,791
At 30 June 2013	12,126

Details of goodwill arose from the acquisition of 100% equity interest in Luck Shamrock Limited ("Luck Shamrock") during the year are set out in note 24. For the purposes of impairment testing, goodwill set out above has been allocated to two (2013: one) individual cash-generating units, in which the management considered each subsidiary represents a separate cash-generating unit. At the balance sheet date, the cost of goodwill represents goodwill of RMB12,126,000 arising from the acquisition of 浙江科瑞照明技術有限公司for manufacturing, selling and undertaking of installation work of electrodeless lamp business and goodwill of RMB19,665,000 arising from the acquisition of徐州安邦自動化設備有限公司 for provision of energy-savings and energy efficiency solutions services and sales of energy saving products.

15. GOODWILL *(continued)*

Regarding to the cash-generating unit of浙江科瑞照明技術有限公司, the recoverable amount of this cash-generating unit is determined based on value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 24.17% per annum. The cash flows beyond that five-year period have been extrapolated using a zero percent growth rate. This growth rate is based on the energy savings and lighting services and sales of energy saving products growth forecasts and does not exceed the average long-term growth rate for the energy savings and lighting services and sales of energy saving products industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on past performance and management's expectations for the market development.

Regarding to the cash-generating unit of 徐州安邦自動化設備有限公司, the recoverable amount of this cash-generating unit is determined based on value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period and a pre-tax discount rate of 18.39% per annum. The cash flows beyond that five-year period have been extrapolated using a zero percent growth rate. This growth rate is based on the energy savings and efficiency solutions services industry growth forecasts and does not exceed the average long-term growth rate for the energy savings and efficiency solutions services industry. Other key assumptions for the value in use calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimations are based on past performance and management's expectations for the market development.

Due to the deteriorated performance of浙江科瑞照明技術有限公司and徐州安邦自動化設備有限公司, the directors of the Company considered that impairment loss on goodwill of approximately RMB6 million and RMB8 million respectively were necessary after taking into the account of an independent valuation report prepared by a professional valuer, Roma Appraisals Limited. The total impairment loss of RMB14,000,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

16. SUBSIDIARIES

The following is a list of the subsidiaries at 30 June 2014 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	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
Luck Shamrock Limited	Hong Kong	1 ordinary share of HK$1	100%	–	100%	Investment holding
徐州安邦自動化設備有限公司	The People's Republic of China	US$90,000	100%	–	100%	Provision of energy saving services and sales of energy saving products

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2014 RMB'000	2013 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

	2014 RMB'000	2013 RMB'000
Raw materials	**242**	245
Work in progress	**2,305**	1,664
Finished goods	**581**	601
	3,128	2,510

No inventories were carried at net realisable value at 30 June 2014 (2013: Nil).

The amount of inventories recognised as an expense and included in the consolidated statement of profit or loss and other comprehensive income is RMB13,766,000 (2013: RMB18,381,000).

19. TRADE AND OTHER RECEIVABLES

	2014 **RMB'000**	2013 RMB'000
Trade receivables *(note a)*	**31,696**	31,156
Less: Allowance for impairment	**2,905**	2,905
	28,791	28,251
Other receivables	**8,225**	2,739
	37,016	30,990
Prepayments, rental and other deposits	**3,612**	1,234
	40,628	32,224

The directors considered that the carrying amounts of trade and other receivables approximate to their fair values.

(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:

	2014 **RMB'000**	2013 RMB'000
Within 1 year	**7,953**	20,337
1 to 2 years	**14,473**	3,463
Over 2 years	**6,365**	4,451
	28,791	28,251

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

	2014 **RMB'000**	2013 RMB'000
At beginning and 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 (2013: RMB2,905,000) with carrying amounts before provision of RMB2,905,000 (2013: 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.

19. TRADE AND OTHER RECEIVABLES *(continued)*

(Note a) *(continued)*

The ageing analysis of the trade receivables which are past due but not impaired is as follows:

	2014 **RMB'000**	2013 RMB'000
Less than 1 year past due	**1,882**	5,406
1 to 2 years past due	**14,473**	3,463
Over 2 years past due	**6,365**	4,451
	22,720	13,320

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. In addition, the over 2 years past due receivables were not impaired as the Group had obtained the debtor's plant as collateral or corporate guarantee. The directors of the Company considered that the collateral values are greater than the outstanding debt amount. Other than the above, the Group does not hold any collateral or other credit enhancements over these balances.

20. TRADE AND OTHER PAYABLES

	2014 **RMB'000**	2013 RMB'000
Trade payables	**17,961**	20,463
Other payables and accruals	**12,096**	1,769
Receipt in advance	**2,912**	25
	32,969	22,257

The ageing analysis of trade payables at the balance sheet date is as follows:

	2014 **RMB'000**	2013 RMB'000
Within 1 year	**6,877**	13,876
Over 1 year	**11,084**	6,587
	17,961	20,463

21. SHARE CAPITAL

	Number of of share '000	Amount RMB'000
Authorised:		
Ordinary shares of HK$0.05		
At 1 July 2012	2,000,000	106,000
Effect of share subdivision	18,000,000	—
Ordinary shares of HK$0.005		
At 30 June 2013 and at 30 June 2014	20,000,000	106,000

	Number of of share '000	Amount RMB'000
Issued and fully paid:		
Ordinary shares of HK$0.05		
At 1 July 2012	183,404	8,076
Effect of share subdivision *(note a)*	1,650,636	—
Ordinary shares of HK$0.005		
At 30 June 2013	1,834,040	8,076
Issue of shares in consideration for acquisition of subsidiaries *(note b)*	62,000	246
Shares issued upon the exercise of share options *(note c)*	6,450	26
At 30 June 2014	1,902,490	8,348

(a) 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 was approved.

(b) During the year, the Company issued 62,000,000 shares of HK$0.005 each at a price of HK$0.41 each (the "Consideration Shares") as the consideration for the acquisition of the 100% issued share capital of Luck Shamrock and the sale loan of HK$701,999 (approximately RMB571,000), resulting in the increase in share capital and share premium amounting to HK$310,000 and HK$25,110,000, respectively.

(c) During the year, the subscription rights attaching to 6,450,000 share options were exercised at the exercise price of HK$0.355 per share, resulting in the issue of 6,450,000 shares and new share capital of RMB26,000 (HK$32,250) and share premium of RMB1,792,000 (HK$2,257,500), together with a release of the share options reserve amounting to RMB462,000 (HK$560,564) credited to the share premium account. Details of the share options outstanding and movements during the year are set out in note 22.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

All new ordinary shares issued during the year rank pari passu in all respects with the existing shares.

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 options granted 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, which represented approximately 7.45% of the issued share capital of the under 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 had 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*

* The share price and exercise price were adjusted for the share subdivision during the year ended 30 June 2013.

22. SHARE OPTION SCHEME *(continued)*

Details of movements in the share options during the year ended 30 June 2014 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares) Outstanding at 1.7.2013	Exercised during the year	Lapsed during the year	Outstanding at 30.6.2014
Executive Director:					
Wu Chun Wah, Michael	2.6.2012-1.6.2014	440	(440)	–	–
Non-Executive Director:					
Xu Bo *(note 1)*	2.6.2012-1.6.2014	440	–	(440)	–
Independent Non-Executive Directors:					
Leung Heung Ying *(note 2)*	2.6.2012-1.6.2014	880	–	(880)	–
Cheong Ying Chew, Henry	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	38,000	(4,010)	(33,990)	–
Other eligible participants	2.6.2012-1.6.2014	24,000	(2,000)	(22,000)	–
Total		65,520	(6,450)	(59,070)	–

Notes:

(1) Mr. Xu Bo, an executive director, has been re-designated as the non-executive director with effect from 21 November 2013.

(2) Mr. Leung Heung Ying was resigned as the independent non-executive director with effect from 27 June 2014.

(3) 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.

(4) 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.

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	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, Michael	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)*

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

	2014 Weighted average exercise price	**2014** Number of option '000 shares	2013 Weighted average exercise price	2013 Number of option '000 shares
Outstanding at 1 July	**HK$0.355**	**65,520**	HK$0.355	131,040
Exercised during the year	**HK$0.355**	**(6,450)**	HK$0.355	—
Lapsed during the year	**HK$0.355**	**(59,070)**	HK$0.355	(65,520)
Outstanding at 30 June	**HK$0.355**	**–**	HK$0.355	65,520
Exercisable at 30 June	**HK$0.355**	**–**	HK$0.355	65,520

The weighted average share price at the date of exercise for share options for the year ended 30 June 2014 was HK$0.37 (2013: Nil).

All share options were exercised or lapsed during the year ended 30 June 2014 and no share option outstanding at 30 June 2014 had a weighted average remaining contractual life (2013: 0.92 years)

No share option was granted or cancelled during the year ended 30 June 2014 and 2013.

(b) Fair values of share options and assumptions

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.

During the year ended 30 June 2014, no staff costs were recognised by the Group in relation to share options granted by the Company (2013: Nil).

23. DEFERRED TAXATION

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

	2014 **RMB'000**	2013 RMB'000
Deductible temporary differences	**16,274**	16,067
Unused tax losses	**8,674**	13,753
	24,948	29,820

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

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 100% of the issued share capital of Luck Shamrock and the sale loan amount of HK$701,999 (approximately RMB571,000) payable by Luck Shamrock at a total consideration of HK$25,420,000 (approximately RMB20,236,000). 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 is principally engaged in energy savings and energy efficiency services and sales of energy saving products. The acquisition was completed on 22 August 2013.

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

	RMB'000
Total consideration satisfied by the Consideration Shares at fair value as at the date of issuance *(note 21)*	20,236
Less: Amount due to the vendor assigned to the Group	571
	19,665
Less: Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	84
Inventories	155
Trade and other receivables	14,507
Cash and cash equivalents	523
Trade and other payables	(14,698)
Amount due to the vendor	(571)
Total identifiable net assets	—
Goodwill *(note 15)*	19,665

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

	RMB'000
Cash and cash equivalents acquired	523
Net cash inflow from acquisition of a subsidiary	523

24. ACQUISITION OF A SUBSIDIARY *(continued)*

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 RMB1,410,000 and RMB202,000 respectively.

Had the acquisition been completed on 1 July 2013, total Group's revenue and loss for the year ended 30 June 2014 would be RMB15,408,000 and RMB20,543,000 respectively. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2013, nor is it intended to be a projection of future results.

The fair value and gross contractual amounts of trade and other receivables at the date of acquisition approximated their carrying amounts and were expected to be fully recovered in the future.

Acquisition-related costs of RMB133,000 have been charged to administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014.

Goodwill arose in the acquisition of Luck Shamrock because the cost of the combination included a control premium paid to acquire its business. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies to be achieved from integrating the subsidiary into the Group's existing business, future market development and the assembled workforce of Luck Shamrock. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

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 2014, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following period were:

	2014 **RMB'000**	2013 RMB'000
Within one year	**535**	1,082
In the second to fifth year, inclusive	**199**	717
	734	1,799

26. RELATED PARTY TRANSACTION

There were no related party transactions during the year (2013: 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.

During the years ended 31st March 2014 and 2013, the Company did not have any connected transactions or continuing connected transactions as defined in Chapter 20 of the Listing Rules.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

(A) Financial instruments by categories

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

	Loans and receivables	
	2014	2013
	RMB'000	RMB'000
Assets		
Trade receivables, net	**28,791**	28,251
Other receivables, net	**8,410**	2,924
Cash and bank balances	**1,462**	3,757
	38,663	34,932

	Financial liabilities at amortised cost	
	2014	2013
	RMB'000	RMB'000
Liabilities		
Trade payables	**17,961**	20,463
Other payables and accruals	**12,096**	1,769
	30,057	22,232

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(continued)*

(B) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk and foreign currency 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 effects 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 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 2014, the Group has a certain concentration of credit risk as 81% (2013: 77%) of the total trade receivables were due from the five largest clients.

The credit risk on bank balances is limited because the counterparties are reputable banks with high quality external credit ratings in Hong Kong and the PRC.

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE OF FINANCIAL INSTRUMENTS *(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 measurements

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

However, the Group does not have any financial assets and liabilities measured at fair value as at 30 June 2013 and 2014.

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost (including available-for-sale financial assets) are not materially different from their fair values as at 30 June 2013 and 2014.

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$1,500 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

	2014 RMB'000	2013 RMB'000
Non-current assets	**59,929**	86,642
Current assets	**340**	2,100
	60,269	88,742
Current liabilities	**(5,867)**	(5,216)
Net assets	**54,402**	83,526
Representing:		
Share capital	**8,348**	8,076
Reserves	**46,054**	75,450
Total equity	**54,402**	83,526

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2014

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 2014 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

31. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2014 *(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 HKFRSs 2010 — 2012 cycle	1st July, 2014, with limited exceptions
Amendments to HKFRS, Annual improvements to HKFRSs 2011 — 2013 cycle	1st July, 2014
Amendments to HKFRS 9 and HKFRS 7, Mandatory effective date of HKFRS 9 and transition disclosures	1st January, 2018, (Tentatively)
Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011), Investment entities	1st January, 2014
Amendments to HKFRS 11, Accounting for acquisitions of interests in joint operations	1st January, 2016
Amendments to HKAS16 and HKAS38, Clarification of acceptable methods of depreciation and amortisation	1st January, 2016
Amendments to HKAS 19, Defined benefit plans: Employee contributions	1st July, 2014
Amendments to HKAS 32, Offsetting financial assets and financial liabilities	1st January, 2014
Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets	1st January, 2014
Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting	1st January, 2014
HKFRS 9, Financial instruments	1st January, 2018, (Tentatively)
HKFRS 14, Regulatory deferral accounts	1st January, 2016
HKFRS 15, Revenue for contracts with customers	1st January, 2017
HK(IFRIC) – Int 21, Levies	1st January, 2014

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

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 July 2014) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Hong Kong Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

Financial Summary

	Years ended 30 June				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Results					
Turnover	**15,049**	20,198	21,235	13,271	11,659
Profit/(loss) for the year	**(20,626)**	(7,738)	(14,328)	76,211	(366)

	As at 30 June				
	2014	2013	2012	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**64,301**	52,339	52,913	44,007	15,951
Total liabilities	**(32,969)**	(22,258)	(17,378)	(17,433)	(111,240)
Net assets/(liabilities)	**31,332**	30,081	35,535	26,574	(95,289)
Share capital	**8,348**	8,076	8,076	7,774	46,640
Reserves	**19,813**	18,129	25,106	18,800	(141,929)
Total equity attributable to equity shareholders of the Company	**28,161**	26,205	33,182	26,574	(95,289)
Non-controlling interests	**3,171**	3,876	2,353	—	—
Total equity	**31,332**	30,081	35,535	26,574	(95,289)