



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2015
INTERIM REPORT





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

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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Notes	Three months ended 31 December		Six months ended 31 December	
		2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Turnover	3	2,095	1,599	10,202	2,897
Cost of sales/services rendered		<u>(1,985)</u>	<u>(1,389)</u>	<u>(9,823)</u>	<u>(2,585)</u>
Gross profit		110	210	379	312
Other income		4	10	5	12
Distribution costs		(149)	(144)	(309)	(336)
Administrative expenses		<u>(2,072)</u>	<u>(1,789)</u>	<u>(3,646)</u>	<u>(4,063)</u>
Loss before taxation		(2,107)	(1,713)	(3,571)	(4,075)
Taxation		<u>(1)</u>	<u>—</u>	<u>(1)</u>	<u>(1)</u>
Loss for the period	5	(2,108)	(1,713)	(3,572)	(4,076)
Other comprehensive income					
Item that may be reclassified Subsequently to profit or loss					
Exchange difference arising from translation of financial statements of operations outside Mainland China		<u>—</u>	<u>(41)</u>	<u>—</u>	<u>(13)</u>
Total comprehensive expense for the period		<u>(2,188)</u>	<u>(1,754)</u>	<u>(3,572)</u>	<u>(4,089)</u>
Loss for the period attributable to:					
— Equity shareholders of the Company		<u>(1,994)</u>	<u>(1,521)</u>	<u>(3,348)</u>	<u>(3,680)</u>
— Non-controlling interests		<u>(114)</u>	<u>(192)</u>	<u>(224)</u>	<u>(396)</u>
		<u>(2,108)</u>	<u>(1,713)</u>	<u>(3,572)</u>	<u>(4,076)</u>
Total comprehensive expense for the period attributable to:					
— Equity shareholders of the Company		<u>(1,994)</u>	<u>(1,562)</u>	<u>(3,348)</u>	<u>(3,693)</u>
— Non-controlling interests		<u>(114)</u>	<u>(192)</u>	<u>(224)</u>	<u>(396)</u>
		<u>(2,108)</u>	<u>(1,754)</u>	<u>(3,572)</u>	<u>(4,089)</u>
Loss per share					
Basic and diluted	6	<u>(0.11 cents)</u>	<u>(0.08 cents)</u>	<u>(0.17 cents)</u>	<u>(0.19 cents)</u>



CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2014

		31 December 2014	30 June 2014
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		1,091	1,292
Goodwill	8	17,791	17,791
Available-for-sale financial assets		<u>—</u>	<u>—</u>
		18,882	19,083
CURRENT ASSETS			
Inventories		3,464	3,128
Trade and other receivables	9	45,596	40,628
Cash and bank balances		2,196	1,462
		<u>51,256</u>	<u>45,218</u>
CURRENT LIABILITIES			
Trade and other payables	10	42,378	32,969
Tax payables		<u>—</u>	<u>—</u>
		42,378	32,969
NET CURRENT ASSETS			
		<u>8,878</u>	<u>12,249</u>
NET ASSETS			
		<u>27,760</u>	<u>31,332</u>
EQUITY			
Capital and reserves attributable to equity shareholders of the Company			
Share capital	11	8,348	8,348
Reserves		16,465	19,813
		<u>24,813</u>	<u>28,161</u>
Non-controlling interests		2,947	3,171
		<u>27,760</u>	<u>31,332</u>
TOTAL EQUITY			
		<u>27,760</u>	<u>31,332</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Attributable to equity shareholders of the Company					Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000			
At 1 July 2013 (Audited)	8,076	102,525	4,689	5,546	(94,631)	26,205	3,876	30,081
Loss for the period	—	—	—	—	(3,680)	(3,680)	(396)	(4,076)
Exchange difference arising from translation of financial statements of operations outside Mainland China	—	—	—	(13)	—	(13)	—	(13)
Shares issued upon exercise of share option	14	1,265	(252)	—	—	1,027	—	1,027
Issue of shares in consideration for acquisition of interests in a subsidiary	247	19,977	—	—	—	20,224	—	20,224
At 31 December 2013 (Unaudited)	<u>8,337</u>	<u>123,767</u>	<u>4,437</u>	<u>5,533</u>	<u>(98,311)</u>	<u>43,763</u>	<u>3,480</u>	<u>47,243</u>
At 1 July 2014 (Audited)	8,348	124,756	—	5,382	(110,325)	28,161	3,171	31,332
Loss for the period	—	—	—	—	(3,348)	(3,348)	(224)	(3,572)
Exchange difference arising from translation of financial statements of operations outside Mainland China	—	—	—	—	—	—	—	—
At 31 December 2014 (Unaudited)	<u>8,348</u>	<u>124,756</u>	<u>—</u>	<u>5,382</u>	<u>(113,673)</u>	<u>24,813</u>	<u>2,947</u>	<u>27,760</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014



	Six months ended	
	31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(2,022)	(2,940)
Net cash generated from investing activities	5	535
Net cash generated from financing activities	2,750	1,027
	<hr/>	<hr/>
Net increase in cash and cash equivalents	733	(1,378)
Effect of change in foreign exchange rate	1	(129)
Cash and cash equivalents at the beginning of the period	1,462	3,757
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	2,196	2,250
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	2,196	2,250
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended 31 December 2014 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.


These condensed consolidated interim financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2014. They have been prepared on the historical cost basis.

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

In preparing these condensed consolidated interim financial statements, the key assumption made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual consolidated financial statements for the year ended 30 June 2014.

The accounting policies and methods of computation used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual consolidated financial statements for the year ended 30 June 2014. This condensed consolidated interim financial information is unaudited but has been reviewed by the audit committee of the Company.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 June 2014.



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

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

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

2. ORGANISATION AND OPERATIONS

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

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



3. TURNOVER AND SEGMENTS INFORMATION

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

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

Entity-wide disclosures

Information about products and services

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

	Three months ended		Six months ended	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Energy savings and efficiency solutions services and sales of related products	—	1,438	—	1,712
Energy savings and lighting services and sales of related products	2,095	161	10,202	817
Others	—	—	—	368
	<u>2,095</u>	<u>1,599</u>	<u>10,202</u>	<u>2,897</u>



4. TAXATION

(i) Overseas income tax

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

(ii) Hong Kong profits tax

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits for the six months ended 31 December 2014 (2013: Nil).

(iii) PRC enterprise income tax

Provision for PRC enterprise income tax for the six months ended 31 December 2014 is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdiction in the PRC (2013: Nil).

5. LOSS FOR THE PERIOD

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

	Three months ended 31 December		Six months ended 31 December	
	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
Staff costs (including directors' remuneration):				
— Salaries and other benefits	824	818	1,421	1,940
— Retirement benefits scheme contributions	19	64	38	129
	<u>843</u>	<u>882</u>	<u>1,459</u>	<u>2,069</u>
Depreciation of property, plant and equipment	19	108	38	228
Operating lease rentals of premises	365	386	741	694
	<u><u>365</u></u>	<u><u>386</u></u>	<u><u>741</u></u>	<u><u>694</u></u>

6. LOSS PER SHARE

Basic loss per share

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

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss for the period attributable to equity shareholders of the Company	<u>(1,994)</u>	<u>(1,521)</u>	<u>(3,348)</u>	<u>(3,680)</u>

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of ordinary shares in issue during the period	<u>1,891,013,726</u>	<u>1,899,680</u>	<u>1,891,013,726</u>	<u>1,881,130</u>

	Three months ended 31 December		Six months ended 31 December	
	2014	2013	2014	2013
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss per share	<u>(0.11 cents)</u>	<u>(0.08 cents)</u>	<u>(0.17 cents)</u>	<u>(0.19 cents)</u>

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

No adjustment has been made to the basic loss per share amount presented for the three months and six months ended 31 December 2014 and 2013 as the share option in issue during those periods have no dilutive effect.

7. DIVIDEND

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 31 December 2014 (2013: Nil).



8. GOODWILL

Cost

At 30 June 2014 and 1 July 2015 (audited) 31,791

At 31 December 2014 (unaudited) 31,791

Accumulated impairment losses

At 30 June 2014 and 1 July 2014 (audited) 14,000

Impairment loss for the period —

At 31 December 2014 (unaudited) 14,000

Net book value

At 31 December 2014 (unaudited) 17,791

At 30 June 2014 (audited) 17,791

The directors of the Company have discussed the performance of certain subsidiaries of the Group and tried to seek professional valuation of goodwill. A preliminary valuation report was performed by an independent valuer. Based on the preliminary report, impairment of goodwill should be reduced from RMB17,791,000 to RMB9,700,000 for the six months ended 31 December 2014. Impairment of goodwill amounted to RMB14,000,000 was made for the year ended 30 June 2013. However, since both of the auditors of the Company and the independent professional valuer considered the data available at the time of preparation of interim report provided to the independent valuer is not sufficient. No further impairment of goodwill is made during the six months ended 31 December 2014. The directors of the Company will continue to seek professional valuation of goodwill and will closely monitor the performance of those subsidiaries. Yearly review of the valuation of goodwill will be performed by an independent valuer at next annual report to fulfill the requirement of accounting standards.

9. TRADE AND OTHER RECEIVABLES

	31 December 2014 RMB'000 (Unaudited)	30 June 2014 RMB'000 (Audited)
Trade receivables	38,544	31,696
Less: Allowance for impairment	(2,905)	(2,905)
	<u>35,639</u>	<u>28,791</u>
Other receivables	6,245	8,225
	<u>41,884</u>	<u>37,016</u>
Prepayments, rental and other deposits	3,712	3,012
	<u>45,596</u>	<u>40,028</u>

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

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

	31 December 2014 RMB'000 (Unaudited)	30 June 2014 RMB'000 (Audited)
Within 1 year	16,709	7,953
1 to 2 years	9,074	14,473
Over 2 years	<u>9,856</u>	<u>6,365</u>
	<u>35,639</u>	<u>28,791</u>

The executive directors explained the recoverability of the trade receivables with an aging over 2 years with the independent non-executive directors of the Company. The executive director has confidence in the recoverability of those trade receivables for the following reasons:

1. Certain subsidiaries still have business relationship and provide energy saving services to those customers;
2. The executive director does not aware of any financial difficulties of those customers; and
3. Trade receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default. Trade 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.

10. TRADE AND OTHER PAYABLES

	31 December 2014 RMB'000 (Unaudited)	30 June 2014 RMB'000 (Audited)
Trade payables	20,377	17,961
Other payables and accruals (<i>Note</i>)	15,731	12,096
Receipt in advance	<u>6,270</u>	<u>2,912</u>
	<u>42,378</u>	<u>32,969</u>

Note:

The balance includes cash advances amounted to HK\$2,400,000 in total. The lender is a company wholly owned by a former executive director, Wu Chun Wah, Michael (who resigned on 30 December 2014) and his spouse. The cash advance of HK\$2,400,000 consists of four individual cash advances drawdown at four different dates. However, the signing of such loan agreement and the drawdown

of such cash advances have never reported to all other directors of the Company until the Company received a demand for repayment letter from the lender on 30 January 2015. Directors of Company are in the process of finding out the details, including but not limited to the interest rate and repayment terms, of those cash advances at the date of this announcement. Further announcement will be made when the Company has updated information.

The ageing analysis of trade payables is as follows:

	31 December 2014 RMB'000 (Unaudited)	30 June 2014 RMB'000 (Audited)
Within 1 year	1,816	6,877
Over 1 year	<u>18,561</u>	<u>11,084</u>
	<u><u>20,377</u></u>	<u><u>17,961</u></u>

11. SHARE CAPITAL

	Number of of share '000	Amount RMB'000
Authorised:		
Ordinary shares of HK\$0.005		
At 1 July 2013 (audited)	2,000,000	100,000
Effect of share subdivision	<u>18,000,000</u>	<u>—</u>
Ordinary shares of HK\$0.005		
At 30 June 2014 (audited) and at 31 December 2014 (unaudited)	<u><u>20,000,000</u></u>	<u><u>100,000</u></u>
	Number of of share '000	Amount RMB'000
Issued and fully paid:		
Ordinary shares of HK\$0.005		
At 1 July 2013 (audited)	1,834,040	8,076
Issue of shares in consideration for acquisition of subsidiaries	62,000	246
Shares issued upon the exercise of share options	<u>6,450</u>	<u>26</u>
At 30 June 2014 (audited) and 31 December 2014 (unaudited)	<u><u>1,902,490</u></u>	<u><u>8,348</u></u>

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

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

12. SHARE OPTION SCHEME

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

Details of movements in the share options during the six month ended 31 December 2014 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			
		Outstanding at 1.7.2014	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014
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.



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

	2014		2013	
	Weighted average exercise price	Number of option '000 shares	Weighted average exercise price	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	<u>HK\$0.355</u>	<u>—</u>	<u>HK\$0.355</u>	<u>65,520</u>
Exercisable at 30 June	<u>HK\$0.355</u>	<u>—</u>	<u>HK\$0.355</u>	<u>65,520</u>

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

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 period ended 31 December 2014, no staff costs were recognised by the Group in relation to share options granted by the Company (2013: Nil).



13. OPERATING LEASE COMMITMENTS

The Group leases certain of its office premises under operating lease arrangement, with leases negotiated for terms of 1 to 2 years. None of the leases include contingent rentals. As at 31 December 2014, the Group's total future minimum lease payments under non-cancellable operating leases for each of the following period were:

	31 December 2014 RMB'000 (Unaudited)	30 June 2014 RMB'000 (Audited)
Within one year	1,207	535
In the second to fifth year, inclusive	<u>807</u>	<u>199</u>
	<u>2,014</u>	<u>734</u>

14. RELATED PARTY TRANSACTIONS

Save as disclosed in the note under the section of Trade and Other Payable in relation to the cash advances from a former executive director, there were no related party transactions during the six months ended 31 December 2014 (2013: Nil).

During the six months ended 31 December 2014, compensation of key management personnel represents only directors' remuneration.

15. EVENT AFTER REPORTING DATE

The Company obtained a loan facility amounted to HK\$10,000,000 from a lender to meet the short-term need of the general working capital. The lender is a money lender licensed in Hong Kong under the provisions of the Money Lenders Ordinance and conducts money lending business in Hong Kong. The loan facility is unsecured and the interest rate is 2.5% per month. A loan amounted to HK\$5,000,000 under such loan facility was drawdown on 13 February 2015.



MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Review

For the six months ended 31 December 2014, the Group's turnover was approximately RMB10,202,000, representing an increase of approximately RMB7,305,000 or 2.5 times as compared to the same period in the previous year (31 December 2013: approximately RMB2,897,000).

Distribution costs for the six months ended 31 December 2014 was approximately RMB309,000, representing a decrease of 8.0% as compared to approximately RMB336,000 for the six months ended 31 December 2013. The decrease of the distribution costs was because the top management was closely monitoring of travelling cost of sales and marketing department to reduce unnecessary staff travelling.

Administrative expenses for the six months ended 31 December 2014 was approximately RMB3,646,000, representing a decrease of approximately RMB417,000 as compared to the same period in the previous year (31 December 2013: approximately RMB4,063,000), which was mainly attributable to the budgetary control of the Group.

The Group recorded a loss of approximately RMB3,572,000 for the six months ended 31 December 2014, representing a decrease of 12.4% as compared to the same period in the previous year. (31 December 2013: approximately RMB4,076,000).

Business Review and Prospects

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

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



The Company obtained a loan facility amounted to HK\$10,000,000. Details of such loan facility are set out under Event After Reporting Date section. The Company is looking for other liquidity resources with lower finance costs and may carry out fund raising activities including but not limited to placing of new shares and issue bonds. The executive directors and the senior management are trying hard to collect all outstanding amount due from trade receivable.

Liquidity and Financial Resources

Cash and bank balances as at 31 December 2014 was approximately RMB2,196,000 (30 June 2014: approximately RMB1,462,000). At 31 December 2014, the Group's current ratio was 1.21 (30 June 2014: 1.37), based on the current assets of approximately RMB51,256,000 and current liabilities of approximately RMB42,378,000. The gearing ratio was approximately 152.7% as at 31 December 2014. (30 June 2014: 105.2%). The gearing ratio is calculated as current liabilities divided by total equity.

Exposure to fluctuations in exchange rates and related hedges

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

Capital Structure

Details of the capital structure of the Company are set out in note 11 to the condensed consolidated financial statement.

Capital Commitments

As at 31 December 2014, the Group did not have any capital commitments.

Contingent Liabilities

As at 31 December 2014, the Directors are not aware of any material contingent liabilities.



Employees and Remuneration Policies

At 31 December 2014, the Group had 35 (31 December 2013: 53) full-time employees. Staff costs amounted to approximately RMB1,459,000 for the six months ended 31 December 2014 (31 December 2013: approximately RMB2,069,000). The Group's remuneration policy remained the same as detailed in the Company's 2014 annual report.

DIVIDEND

The directors do not recommend the payment of any dividend for the six-months ended 31 December 2014 (31 December 2013: Nil).

AUDIT COMMITTEE

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

The unaudited financial results for the six months ended 31 December 2014 have been reviewed by the Audit Committee. The Chairman of Audit Committee Mr. Lau Yu Ching does not approve the financial results. The reason is that the Company should base on the professional opinion, such as valuer and auditors of the Company (the "Auditors"), to make impairment and provision regarding the goodwill and accounts receivable of the Company. The Company now instead of making provision, only disclose the issues in the note of accounts that he believes the interim results has a materially difference of the actual financial situation of the Company. Another member of the Audit Committee, Mr. Cheong Ying Chew, Henry ("Mr. Cheong") also does not approve the financial results. According to Mr. Cheong, he noted the concerns raised by the Auditors at previous Audit Committee meetings in respect of the impairment of goodwill, impairment of trade receivables and the liquidity position of the Group and also the disclosures made in this announcement in these three areas. However, the final version of this announcement including the above-mentioned disclosures has not been reviewed by the Auditors. In the course of Audit Committee meeting, a member of Audit Committee, Dr. Zhao Bin ("Dr. Zhao") referred to the financial information provided by the former Financial Controller and the comments from the Auditors in previous Audit Committee meetings. In previous Audit Committee meetings, the Auditors had comments on the impairment of goodwill, impairment of trade receivables and the liquidity of the Group. Dr. Zhao proposed certain amendments on this announcement including additional disclosures on Goodwill, Trade and Other Receivables, Trade and Other Payables, Event After Reporting Date, Business Review and Prospects. Dr. Zhao approved the financial result after he had made sure that all the amendments are included in this announcement. A member of Audit Committee, Dr. Zhao is of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made after additional disclosures.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN INTERESTS

At 31 December 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, were as follows:

Name of Directors	Nature of interest	Note	Number of issued ordinary shares held	Number of underlying shares held	Total	Approximately percentage of total issued shares as at 31 December 2014
Mr. Xu Bo	Corporate	(1)	1,270,574,400	—	<u>1,270,574,400</u>	
					<u>1,270,574,400</u>	<u>66.78%</u>

Notes:

- (1) The interest disclosed represents the corporate interest in 1,270,574,400 shares held by Million Sino Investments Limited, which is a company incorporated in the British Virgin Islands and is owned as to 50% by each of Mr. Xu Bo and Dr. Wu Chun Wah.
- (2) All the interests disclosed above represent long position in the shares of the Company.

Save as disclosed above and in the section headed “Substantial Shareholders’ Interest in Securities” below, as at 31 December 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 31 December 2014, save as disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” above for interests of Mr. Xu Bo and Dr. Wu Chun Wah and his 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	Total	Approximately percentage of total issued shares as at 31 December 2014
Ms Chen Li	Interest of spouse	(1)	<u>1,270,574,400</u>	<u>1,270,574,400</u>	<u>66.78%</u>
Ms Lee Siu Yee, Brenda	Interest of spouse	(2)	<u>1,271,014,400</u>	<u>1,271,014,400</u>	<u>66.81%</u>

Notes:

- (1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 1,270,574,400 shares.
- (2) Ms Lee Siu Yee, Brenda, the spouse of Dr. Wu Chun Wah, is also deemed to be interested in such 1,271,014,400 shares in which Dr. Wu Chun Wah is deemed to be interested.
- (3) All the interests disclosed above represent long position in the shares of the Company.

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

SHARE OPTION SCHEME

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

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

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

Details of movements in the share options during six months ended 31 December 2014 under the Scheme are as follows:

Grantees	Exercisable period	Number of share option ('000 shares)			
		Outstanding at 1.7.2014	Exercised during the period	Lapsed during the period	Outstanding at 31.12.2014
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		<u>65,520</u>	<u>(6,450)</u>	<u>(59,070)</u>	<u>—</u>



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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 December 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 period.

COMPLIANCE WITH CODE OF BEST PRACTICE

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

The Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the Code Provisions save for the deviation as explained below:

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



Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions set out in the CG code during the period ended 31 December 2014.

ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings (“Standard Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the six months ended 31 December 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 31 December 2014.

By order of the Board

Xu Bo
Chairman

Hong Kong, 15 February 2015

As at the date of this report, the Board comprises Dr. Ma Jun as the executive director; Mr. Xu Bo as the non-executive director, and Mr. Cheong Ying Chew, Henry, Mr. Lau Yu Ching and Dr. Zhao Bin as the independent non-executive directors.

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