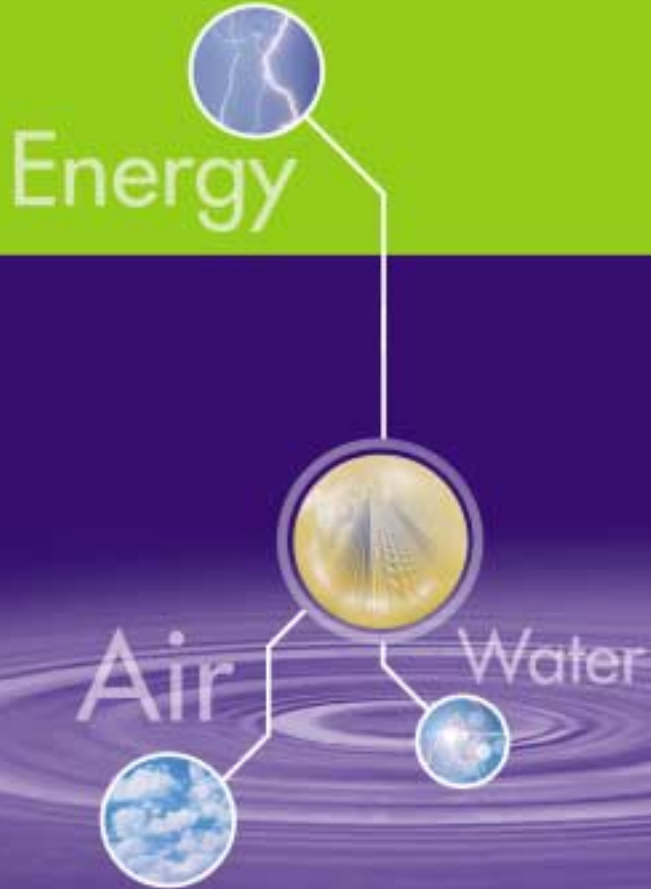




CREATIVE ENERGY SOLUTIONS HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)



2002 - 2003

THIRD QUARTERLY REPORT

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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.

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims 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 of Creative Energy Solutions Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Revenue achieved approximately RMB84,020,000 for the nine months ended 31st March, 2003, representing an increase of approximately 10.2% when compared with the same period in 2002.

Profit attributable to shareholders for the nine months ended 31st March, 2003 amounted to approximately RMB25,885,000, representing a decrease of approximately 24.3% when compared with the same period in 2002.

The first turnover contribution of Savin 2000 III amounted to RMB742,000 for the third quarter ended 31st March, 2003.

The Board has resolved not to declare any dividend for the nine months ended 31st March, 2003.

Basic earnings per share was RMB6.24 cents for the nine months ended 31st March, 2003.

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31ST MARCH, 2003

The board of directors (the "Board") of Creative Energy Solutions Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months and nine months ended 31st March, 2003 together with the comparative unaudited consolidated figures for the corresponding periods in 2002 as set out below:

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st March,		Nine months ended 31st March,	
		2003 RMB'000	2002 RMB'000	2003 RMB'000	2002 RMB'000
TURNOVER	2	31,124	25,639	84,020	76,191
Cost of services		(11,230)	(6,942)	(29,851)	(23,550)
Gross profit		19,894	18,697	54,169	52,641
Other revenue		126	32	304	32
Distribution costs		(1,717)	(1,958)	(7,757)	(5,225)
General and Administrative expenses		(4,845)	(4,166)	(16,727)	(12,009)
PROFIT FROM OPERATING ACTIVITIES		13,458	12,605	29,989	35,439
Finance costs		(443)	(47)	(3,706)	(111)
PROFIT BEFORE TAXATION	3	13,015	12,558	26,283	35,328
Taxation	4	(104)	(1,155)	(398)	(1,155)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		12,911	11,403	25,885	34,173
Earnings per share					
Basic (in RMB)	5	3.11 cents	3.02 cents	6.24 cents	10.48 cents

Notes:

1. Group reorganization and basis of presentation

The Group was formed pursuant to a group reorganization on 3rd January, 2002 (the "Reorganisation") to rationalize the structure of the Group in preparation for the listing of the Company's shares (the "Shares") on the GEM in January 2002. Further details of the Reorganisation are set out in the Prospectus of the Company dated 24th January, 2002. The Shares have been listed on the GEM since 31st January, 2002.

The unaudited consolidated results have been prepared on the basis of merger accounting as if the current group structure had been in existence throughout the periods under review or since the respective dates of incorporation or establishment of the respective subsidiaries now comprising the Group, whichever is a shorter period.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the unaudited consolidated results.

The measurement basis used in the preparation of the unaudited condensed consolidated accounts is historical cost.

The unaudited consolidated results have been prepared in accordance with Statement of Standard Accounting Practice as issued by the Hong Kong Society of Accountants and accounting principles generally accepted in Hong Kong and also in compliance with the applicable disclosure requirements of the GEM Listing Rules of the Stock Exchange. The accounting policies are consistent with those followed in the preparation of the Group's latest financial statements dated 20th September, 2002.

2. Turnover

The unaudited consolidated turnover represented revenue generated from the provision of system design and integration services, after deducting 5% PRC business tax and 6% PRC value added tax (applicable only to Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd).

An analysis of turnover and revenue is as follows:

	Three months ended		Nine months ended	
	31st March,		31st March,	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Turnover				
fees for system design and integration services*	31,124	25,639	84,020	76,191
Other revenue				
Bank interest income	126	32	304	32
	31,250	25,671	84,324	76,223

- * For the period under review, the Group operates mainly in the PRC with one core business and no geographical segment information is presented.

3. Profit before taxation

Profit before taxation is arrived at after charging the following items:

	Three months ended		Nine months ended	
	31st March,		31st March,	
	2003	2002	2003	2002
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of fixed assets	<u>690</u>	<u>384</u>	<u>2,181</u>	<u>1,126</u>
Amortisation of intangible assets	<u>676</u>	<u>375</u>	<u>1,910</u>	<u>1,125</u>
Interest cost from bank borrowings	<u>21</u>	<u>47</u>	<u>21</u>	<u>111</u>
Interest cost from Coupon Bonds	<u>232</u>	<u>—</u>	<u>387</u>	<u>—</u>

4. Taxation

Taxation represented the provision of the PRC enterprise income tax.

(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.

(ii) Hong Kong profits tax

No Hong Kong profits tax was provided for as the Group did not generate any assessable profits arising in or derived from Hong Kong for the period ended 31st March, 2003.

(iii) PRC enterprise income tax

All the Company's subsidiaries established in the PRC are wholly-owned foreign enterprises and subject to PRC enterprise income tax at a preferential rate of 15%. However, they are exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior years' tax losses, followed by a 50% reduction for the subsequent three years.

Fujian Traving Science & Technology of Saving Development Co., Ltd ("Fujian Traving"), a PRC subsidiary, was profitable for the nine months ended 31st March, 2003 and, accordingly, was chargeable to PRC enterprise income tax at a rate of 7.5%.

No provision for PRC enterprise income tax has been made in respect of the profit arising from Hainan Creative Easy Union Science & Technology of Saving Development Co., Ltd ("Hainan Creative"), a PRC subsidiary, as it was exempted from PRC enterprise income tax during the period under review.

No provision for PRC enterprise income tax has been made in respect of the profit arising from Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd ("Beijing Creative"), a PRC subsidiary, as its profit during the period was offsetting prior year's loss. In consequence, it was not chargeable to PRC enterprise income tax during the period under review.

No provision for PRC enterprise income tax has been made in the account of Shenzhen Creative Eternal Well Science & Technology of Saving Development Co., Ltd ("Shenzhen Creative"), a PRC subsidiary incorporated in 20th August, 2002, as this subsidiary sustained a tax loss during the period under review.

5. Earnings per share

The calculation of basic earnings per share is based on the unaudited profit attributable to shareholders for the three months and nine months ended 31st March, 2003 of approximately RMB12,911,000 and RMB25,885,000 (2002: RMB11,403,215 and RMB34,173,386) respectively divided by the weighted average number of 415,000,000 shares (2002: 377,903,226 and 325,967,742).

Diluted earnings per share is not presented as the exercise of the potential ordinary shares of the Company would be anti-dilutive for the three months and nine months ended 31st March, 2003 and there were no dilutive ordinary shares in existence for the corresponding periods last year.

6. Statement of changes in equity

	Share Capital	Share Premium	Merger reserve	General reserve	Enterprise expansion reserve	Retained profit	Total
	RMB'000	RMB'000	note (i) RMB'000	note (ii) RMB'000	note (iii) RMB'000	RMB'000	RMB'000
At 1st July, 2001	10,600	0	0	1,724	1,724	13,795	27,843
Profit for the period	0	0	0	0	0	34,173	34,173
Transfer from retained profit to reserve	0	0	0	3,822	3,822	(7,644)	0
Effect of the Reorganisation	0	0	10,440	0	0	0	10,440
Issue of shares on initial public offering	12,190	97,520	0	0	0	0	109,710
Capitalisation issue of shares	21,200	(31,281)	0	0	0	0	(10,081)
Share issuance expenses	0	(18,940)	0	0	0	0	(18,940)
At 31st March, 2002	<u>43,990</u>	<u>47,299</u>	<u>10,440</u>	<u>5,546</u>	<u>5,546</u>	<u>40,324</u>	<u>153,145</u>
At 1st July, 2002	43,990	47,299	10,440	6,009	7,580	51,481	166,799
Profit for the period	0	0	0	0	0	25,885	25,885
Transfer from retained profit to reserve	0	0	0	972	4,286	(5,258)	0
2001 final dividend paid	0	0	0	0	0	(9,678)	(9,678)
At 31st March, 2003	<u>43,990</u>	<u>47,299</u>	<u>10,440</u>	<u>6,981</u>	<u>11,866</u>	<u>62,430</u>	<u>183,006</u>

(i) Merger reserve

The merger reserve represents the excess value of the shares acquired over the nominal value of the shares issued in exchange.

(ii) General reserve

PRC laws and regulations require wholly-owned foreign enterprises to provide for general reserve fund which is appropriated from profit after taxation but before dividend distributions. Fujian Traving and Hainan Creative, the subsidiaries, are required to allocate at least 10% of its profit after taxation to the fund until the balance of such fund has reached 50% of its registered capital. The fund can only be utilized, upon approval by the relevant PRC authority, to offset accumulated losses or be authorized to increase capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such increase. No general reserve fund is required for transfer in the accounts of Beijing Creative and Shenzhen Creative as they were in the loss position for the period under review.

(iii) Enterprise expansion reserve

According to PRC relevant rules and regulations and the PRC subsidiary's articles of association, each of the PRC subsidiaries may appropriate a portion of its after-tax profit (after offsetting prior years' losses), based on the statutory financial statements of the PRC subsidiary, to an enterprise expansion reserve fund for the collective welfare and benefits of staff and workers at the discretion of the directors.

The directors of Fujian Traving and Hainan Creative have proposed to transfer 10% of the profit after taxation to the enterprise expansion reserve fund for the period under review.

The directors of Beijing Creative and Shenzhen Creative determined not to make any transfer to the enterprise expansion reserve fund as they were under loss position as at 31st March, 2003.

DIVIDEND

The Board has resolved not to declare any dividend for the nine months ended 31st March, 2003 (2002: Nil).

BUSINESS REVIEW

Energy Management Systems (“EMS”) Solutions

During the third quarter ended 31st March, 2003, the Group completed 209 projects spanning across office buildings, shopping malls and hotels, and a saving in overall energy conservation up to approximately 58%. Especially in Fujian, Chongqing, Anhui and Nanjing where the Group witnessed the most notable performances, the Group leveraged on the booming PRC economy and attracted significant number of customers with its effective EMS solutions. Most importantly, the completion of the trial run for China Resources Building in Hong Kong, which demonstrated an energy conservation of an overwhelming 61% for the water pump system in the building’s air conditioning system, enabled the Group to secure its penetration into the Hong Kong market, which is the first market of expansion beyond the PRC. Leveraging on its growing brand recognition in Hong Kong, the Group has appointed several sales agents in Hong Kong to promote sales of its products during the period under review. While maintaining its market share and leading position in the PRC, the Group will also seek to establish joint ventures to expand its business to Southeast Asia. At present, the Group has already commenced research studies for Singapore, Malaysia and Thailand, and it is also under negotiation with Indonesia to discuss potential cooperation activities.

Northern China is the major market of Savin 2000 II, where the weather condition creates immense opportunities for the Group. In 2002, the Group entered into an agreement with Public Heating Committee of Beijing Property Association to become the exclusive technology consultant. During the nine months ended 31st March, 2003, the Group was working diligently to complete the 120 units of Phase 2 by 30th June, 2003. Until June 2004, the remaining contracts on hand is worth approximately RMB40,000,000. In

In addition to the Beijing contract, the Group has also looked into potential opportunities in other cities where the market potential is deemed enormous, including Liao Ning and Qinhuangdao which are already under negotiation.

During the period under review, Savin 2000 III was added to the Group's product portfolio and received encouraging market response. Savin 2000 III will improve the unfavourable designed industrial water circulation systems based on the automatic industrial water circulation EMS to achieve energy conservation. The first turnover contribution of Savin 2000 III amounted to RMB742,000, thanks to the successful results of its testing in a Fujian based chemical plant. The Directors believe that Savin 2000 III will generate tremendous market popularity in the industrial sector, especially from the chemical, food and textile. The Group is confident that Savin 2000 III will enjoy a smooth development to success, as with the other products.

Energy Saving Products

In July 2002, the Group acquired 14% interest in Golden Name Lighting Technical Limited, a company focused on developing environmental friendly lighting source products. Leveraging on the encouraging market response and satisfactory profit return, the Group will continue to develop this line of business, especially in northern PRC cities, with the view of complimenting its core business and initiating cross-selling marketing strategies to maximize the synergy effect.

Research & Development ("R&D")

At present, the Group committed RMB4,876,000, or 5.8% of turnover, to the R&D of Savin 2000 I, Savin 2000 II and Savin 2000 III. In the coming future, the Group aims to put much effort on Savin 2000 III as compared to Savin 2000 I and Savin 2000 II so as to perfect its quality, effectiveness and efficiency. During the period under review, the Group enhanced its VAV product and continue to develop its Savin 2000 product series. Apart from internal R&D, the Group may also consider to acquire new product that are related to its core business in order to widen its product range and enhance its product qualities.

Sales and Marketing

In the coming future, the Group aims to allocate 3% of its total turnover on sales and marketing. Among which, a greater proportion of selling and marketing effort will be on Savin 2000 I and Savin 2000 II, which has the relatively higher profitability. The remaining will be allocated to Savin 2000 III. In order to strengthen its presence in the PRC, the Group plans to establish a subsidiary in Shanghai to further extent its geographical coverage.

FINANCIAL PERFORMANCE

Turnover and gross profit

For the nine months ended 31st March, 2003, turnover of the Group increased by over 10.2% and amounted to RMB84,020,000, as compared to RMB76,191,000 for the corresponding period in 2002. The increment in turnover was attributable to the significant increase in sales of Savin 2000 II. Gross profit increased slightly to RMB54,169,000 as compared to RMB52,641,000 in 2002, and profit attributable to shareholders declined by 24.3% to RMB25,885,000 in 2003 from RMB34,173,000 in 2002 as a result of the Group's increased advertising expenditure to strengthen its market penetration as well as finance cost incurred by the 2.5% coupon bonds with warrants to accelerate the speed of its market development.

During the period under review, the Group's biggest profit contributor was the Savin 2000 II at 72%, followed by Savin 2000 I at 27.2% and Savin 2000 III at 0.8%, to the Group's total turnover. Sales of Savin 2000 I declined by 54% to RMB22,832,000 as compared to RMB49,620,352 in the corresponding period in 2002, while sales of Savin 2000 II increased tremendously by 127.5% to RMB60,446,000 as compared to RMB26,570,845 in 2002. The performance of the two Savin 2000 products reflected the seasonality factor, in which Savin 2000 I targets the central air conditioning systems in commercial buildings and Savin 2000 II targets the public heating systems in PRC cities. The period under review was also the first time that Savin 2000 III contributed to the Group's total turnover and generated RMB742,000 in sales.

Distribution costs

Distribution costs increased to approximately RMB7,757,000 for the nine months ended 31st March, 2003 (2002: RMB5,225,000). An increase in such expenses was largely attributable to the conducting of various promotional and marketing activities during the period under review.

Administrative expenses

For the nine months ended 31st March, 2003, administrative expenses increased to approximately RMB16,727,000 compared to approximately RMB12,009,000 for the corresponding period last year. It was derived from the ongoing expansion of the Group with all of its subsidiaries and offices set-up gradually becoming fully operational for the period under review.

Finance expenses

The sharp increase of finance expenses to approximately RMB3,706,000 for the nine months ended 31st March, 2003 (2002: RMB111,000) was mainly the result of the issue of 2.5% coupon bonds with warrants on 1st November, 2002 and of the bank arrangement fees for soliciting banking facility in meeting the Group's business expansion needs.

FUTURE PROSPECTS

With the growing concern for energy conservation, the Group will continue to leverage on its first mover advantage and renowned R&D capability to secure more contracts in the coming future. Evidently, it will also continue to enhance the product quality and value-added services of its Savin 2000 products, so as to attract a growing customer base and an expanding geographical reach beyond the PRC.

The Group will strengthen its sales and marketing efforts to potential customers. Another area of focus will be to explore opportunities in the overseas market, especially in Southeast Asia, by establishing joint ventures with reliable partners. Upon the successful completion of the China Resources Building project in Hong Kong, it will leverage on its track record to seize other projects in Hong Kong to solidify its brand recognition.

Unfortunately, the outbreak of Severe Acute Respiratory Syndrome ("SARS") across the world will undoubtedly cause a negative impact across all industries on the global economy in the coming months. Especially during the forthcoming year ended 30th June, 2003, the Group expects that existing negotiations with other countries to expand its business scope will be halted and postponed till SARS is under control. Due to the strict quarantine system, business trips and meetings will no longer be feasible, which will undoubtedly slow down the Group's progress and overseas expansion plan. Likewise, much of the sales and marketing activities will be postponed, as well as the Group's installation works for its customers. As a result, the Group's business in PRC, especially in Beijing, is greatly affected.

Amidst the weak market sentiment, the Group will embrace a cautious approach to monitor and adjust its business development, so as to be fully prepared when SARS is better controlled, and when the market regains its optimistic sentiment and momentum.

DIRECTORS' INTERESTS IN SECURITIES

As at 31st March, 2003, according to the register kept by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), the interests of the Company's directors, chief executives and their associates in the securities of the Company or any associated corporations (as defined in the SDI Ordinance) were as follows:

The Company

Name of Director	Number of Shares				Total
	Personal Interests	Family Interests	Corporate Interests	Other Interests	
Shum Fong Chung	246,360,000	—	—	—	246,360,000

Save as disclosed above, none of the directors, chief executives or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

On 3rd January, 2002, the Company had conditionally adopted a Share Option Scheme pursuant to which any person who is a director (including the independent non-executive directors of the Company) or employee, whether full-time or part-time, of the Company or any of its subsidiaries, may be granted option to subscribe for shares of the Company. During the nine months ended 31st March, 2003, no option was granted under the Share Option Scheme.

Save as disclosed above, at no time during the nine months ended 31st March, 2003 was the Company or any of its subsidiaries, its holding company, 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 SDI Ordinance or to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the nine months ended 31st March, 2003, none of the directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31st March, 2003, so far as are known to the Directors, Mr. Shum Fong Chung (as disclosed in the heading "Directors' Interests in Securities" above) is the only person recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as being directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company.

SHARE OPTION SCHEME

On 3rd January, 2002, the Company conditionally adopted the Share Option Scheme, the principal terms of which are set out in the Company's 2002 Annual Report.

During the nine months ended 31st March, 2003, no option was granted by the Company under the Share Option Scheme.

2.5% COUPON BONDS WITH WARRANTS

Pursuant to two subscription agreements dated 26th August, 2002 and 27th August, 2002 respectively in respect of the placement of 2.5% coupon bonds due on 1st November, 2007 with warrants, having an aggregate principal amount of US\$4,500,000 (HK\$36,000,000). Bondholders can exercise the subscription rights attaching to the warrants, expiring on 1st November, 2007, to subscribe for subscription shares of the Company at an adjusted subscription price of HK\$0.465 per share, subject to adjustment. The bonds and the warrants are not listed on the Stock Exchange or any other stock market.

During the nine months ended 31st March, 2003, no warrant was exercised by the warrantholders.

INTEREST OF SPONSOR

As updated and notified by the Company's sponsor, JS Cresvale Securities International Limited ("JS Cresvale"), as at 31st March, 2003, neither JS Cresvale nor its directors, employees and their associates had any interest in the share capital of the Company or any subsidiaries of the Group, or any right to subscribe for or to nominate persons to subscribe for the shares of the Company or any member of the Group.

Pursuant to the sponsorship agreement entered into between the Company and JS Cresvale, JS Cresvale will receive fees for acting as the Company's ongoing sponsor for the period commencing on 1st April, 2002 to 30th June, 2004 or until the sponsorship agreement is terminated upon the terms and conditions as set out therein.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31st March, 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has established an audit committee on 3rd January, 2002 with written terms of reference which deal clearly with its authority and duties. The primary duties of the audit committee include reviewing the Company's annual report and financial statements, half-year report and quarterly reports and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures of the Group.

The audit committee comprises two independent non-executive directors, namely, Mr. Shi Jian Hui and Mr. Hon Wa Fai. The audit committee has reviewed the quarterly results for the nine months ended 31st March, 2003.

On behalf of the Board
**Creative Energy Solutions
Holdings Limited**
Shum Fong Chung
Chairman

Hong Kong, 13th May, 2003