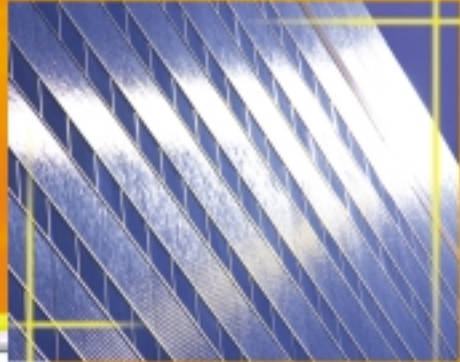




04-05
First-Quarterly Report



Creative Energy Solutions Holdings Limited
(Incorporated in Bermuda with limited liability)

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.

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.

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 was approximately RMB16,803,000 for the three months ended 30th September, 2004, representing a decrease of approximately 2.0% when compared with the same period in 2003.

Profit attributable to shareholders for the three months ended 30th September, 2004 amounted to approximately RMB141,000 representing a decrease of 96.7% when compared with the same period in 2003.

The Board has resolved not to declare any dividend for the three months ended 30th September, 2004.

Basic earnings per share was RMB0.032 cents for the three months ended 30th September, 2004.

QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 2004

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 the “Group”) for the three months ended 30th September, 2004 together with the comparative unaudited consolidated figures for the corresponding period in 2003, as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Three months ended 30th September,	
		2004 RMB'000	2003 RMB'000
TURNOVER, net	2	16,803	17,152
Cost of services		(6,799)	(5,708)
Gross profit		10,004	11,444
Other revenue		702	399
Distribution costs		(1,786)	(1,809)
General and administrative expenses		(7,993)	(5,201)
PROFIT FROM OPERATIONS		927	4,833
Finance costs		(550)	(521)
PROFIT BEFORE TAXATION		377	4,312
Taxation	3	(365)	(105)
PROFIT AFTER TAXATION		12	4,207
Minority interests		129	73
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		141	4,280
Earnings per share			
Basic	4(i)	0.032 cents	1.03 cents
Diluted	4(ii)	0.031 cents	0.99 cents

Notes:

1. BASIS OF PRESENTATION

The unaudited consolidated results have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (which includes all applicable Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited.

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

The measurement basis used in the preparation of these results is historical cost.

2. TURNOVER

The Group is principally engaged in the provision of energy efficiency solutions and engineering consulting services in the People's Republic of China ("PRC") including Hong Kong.

Turnover represents revenue arising from provision of system design and integration and energy saving services, after deduction of 5% PRC business tax and 6% to 17% PRC value added tax. The amount of each significant category of revenue recognised in turnover during the period under review is as follows:

	Three months ended 30th September, (Unaudited)	
	2004	2003
	RMB'000	RMB'000
Revenue from provision of system design and integration services	15,793	16,175
Revenue from provision of energy saving services	1,010	977
	<u>16,803</u>	<u>17,152</u>

3. TAXATION

	Three months ended 30th September, (Unaudited)	
	2004 RMB'000	2003 RMB'000
PRC enterprise income tax (see note (iii) below)	<u>365</u>	<u>105</u>

Note:

(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 British Virgin Islands income taxes.

(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 three months ended 30th September, 2004 and 2003.

(iii) *PRC enterprise income tax*

The Company's subsidiaries established in the PRC are foreign investment enterprises and are 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 their first profit-making year after offsetting prior years' tax losses and is entitled to a 50% relief on PRC enterprise income tax for the following three years.

Fujian Traving Science & Technology of Saving Development Co., Ltd. ("Fujian Traving") became profitable after offsetting prior years' losses in the year ended 30th June, 2000 and, accordingly, Fujian Traving was chargeable to PRC enterprise income tax at a rate of 7.5% for the periods ended 30th September, 2004 and 2003.

No provision for PRC enterprise income tax has been made in respect of the profit of Hainan Creative Easy Union Science & Technology of Saving Development Co., Ltd. ("Hainan Creative") was exempted from PRC enterprise income tax until 31st December, 2003 and was chargeable to PRC enterprise income tax at a rate of 7.5% from 1st January, 2004 for the following three years (2003: Nil).

No provision for PRC enterprise income tax has been made for the three months ended 30th September, 2004 in the financial results of Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd. ("Beijing Creative") and Shenzhen Creative Eternal Well Science & Technology of Saving Development Co., Ltd. ("Shenzhen Creative") as the profits derived from these subsidiaries for the period under review are used to offset their prior years' tax losses. No provision for PRC enterprise income tax was made for the three months ended 30th September, 2003 in the financial results of Beijing Creative and Shenzhen Creative as they had sustained losses for taxation purposes.

No provision for PRC enterprise income tax has been made for the three months ended 30th September, 2004 in the financial results of Fujian Creative New Era Control Technology Co., Ltd ("Fujian New Era") as it has sustained loss for taxation purposes (2003: Nil).

(iv) PRC business and value added taxes

Fujian Traving and Hainan Creative are subject to PRC business tax at 5% of the revenue from provision of system design and integration and energy saving service. Beijing Creative is subject to PRC value added tax ("VAT") at 17% of the revenue from provision of system design and integration and energy saving services. Shenzhen Creative is subject to PRC VAT at 6% of the revenue from provision of system design and integration and energy saving services.

(v) Deferred taxation

The Group has no significant potential deferred tax assets and liabilities for the three months ended 30th September, 2004 and 2003.

4. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share is based on the unaudited consolidated profit attributable to shareholders of approximately RMB141,000 (2003: RMB4,280,000) and the weighted average number of 440,000,000 (2003: 415,000,000) ordinary shares in issue during the three months ended 30th September, 2004 .

(ii) Diluted earnings per share

The calculation of diluted earnings per share for the three months ended 30th September, 2004 is based on the unaudited consolidated profit attributable to shareholders of approximately RMB141,000 (2003: RMB4,280,000) and the weighted average number of 453,517,330 (2003: 431,774,194) ordinary shares after adjusting for the effects of all dilutive potential shares under the Company's warrants.

(iii) Reconciliation

	During the three months ended 30th September, 2004 (Unaudited) Number of shares	During the three months ended 30th September, 2003 (Unaudited) Number of shares
Weighted average number of ordinary shares used in calculating basic earnings per share	440,000,000	415,000,000
Deemed issue of ordinary shares (exercise of all warrants outstanding)	13,517,330	16,774,194
Weighted average number of ordinary shares used in calculating diluted earnings per share	453,517,330	431,774,194

5. **SEGMENT REPORTING**

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

(i) Business segment

During the period under review, the Group has been operating in a single business segment, i.e. the provision of energy efficiency solutions and engineering consulting services. Accordingly, no business segment information is presented.

(ii) Geographical segment

As all the Group's revenue and results were substantially derived from the PRC (including Hong Kong), no geographical segment information is presented.

6. RESERVES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30th September, 2004

	Share capital	Share premium	Merger reserve	Enterprise		Retained profits	Total
				General reserve fund	expansion reserve fund		
			(note (i))	(note (ii))	(note (iii))		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1st July, 2003	43,990	47,299	10,440	6,588	12,635	58,782	179,734
Profit for the period	-	-	-	-	-	4,280	4,280
Transfer from retained profits to reserves	-	-	-	125	821	(946)	-
At 30th September, 2003	<u>43,990</u>	<u>47,299</u>	<u>10,440</u>	<u>6,713</u>	<u>13,456</u>	<u>62,116</u>	<u>184,014</u>
At 1st July, 2004	46,640	51,006	10,440	6,922	14,926	59,997	189,931
Profit for the period	-	-	-	-	-	141	141
Transfer from retained profits to reserves	-	-	-	6	457	(463)	0
At 30th September, 2004	<u>46,640</u>	<u>51,006</u>	<u>10,440</u>	<u>6,928</u>	<u>15,383</u>	<u>59,675</u>	<u>190,072</u>

Note:

- (i) The Company was incorporated in Bermuda on 29th August, 2001 under the Companies Act 1981 of Bermuda and, through a group reorganisation in preparation for the listing of the Company's shares on the GEM of the Stock Exchange, became the holding company of the Group on 3rd January, 2002. The Group has been treated as a continuing entity and, accordingly, the consolidated financial statements for the year ended 30th June, 2002 were prepared on the basis that the Company was the holding company of the Group for the entire year rather than from 3rd January, 2002. The merger reserve represents the excess value of the shares acquired over the nominal value of the shares issued in exchange.

- (ii) According to the relevant rules and regulations in the PRC, each of the PRC subsidiaries is required to appropriate 10% of after-tax profit (after offsetting prior years' losses), based on the PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a general reserve fund until the balance of the fund reaches 50% of the PRC subsidiary's registered capital. Thereafter, any further appropriation can be made at the directors' discretion. The general reserve fund can be utilised to offset prior years' losses or be utilised to increase the capital on the condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such increase.

The directors of Fujian Traving have proposed to transfer 10% of the profit after taxation to the general reserve fund for the three months ended 30th September, 2004 and 2003.

The directors of Hainan Creative determined not to make any appropriation to the general reserve fund for the three months ended 30th September, 2004 and 2003 because the balance of such fund as at 30th September, 2004 and 2003 has reached 50% of its registered capital.

The directors of Beijing Creative and Shenzhen Creative determined not to make any appropriation to the general reserve fund for the three months ended 30th September, 2004 as the profits after taxation for the period under review are used to offset prior year's losses of these subsidiaries. No appropriation to the general reserve fund for the three months ended 30th September, 2003 was made for Beijing Creative and Shenzhen Creative as these subsidiaries had sustained losses.

The directors of Fujian New Era determined not to make any appropriation to the general reserve fund as it sustained loss for the three months ended 30th September, 2004 and 2003.

- (iii) According to the relevant rules and regulations in the PRC and the PRC subsidiary's articles of association. Each of 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. Such appropriations are determined 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 three months ended 30th September, 2004 and 2003.

The directors of Beijing Creative and Shenzhen Creative determined not to make any appropriation to an enterprise expansion reserve fund for the three months ended 30th September, 2004 as the profits after taxation for the period under review are used to offset prior year's losses of these subsidiaries. No appropriation to an enterprise expansion reserve fund for the three months ended 30th September, 2003 was made for Beijing Creative and Shenzhen Creative as these subsidiaries had sustained losses.

The directors of Fujian New Era determined not to make any appropriation to an enterprise expansion reserve fund as it sustained loss for the three months ended 30th September, 2004 and 2003.

DIVIDEND

The Board has resolved not to declare any dividend for the three months ended 30th September, 2004 (2003: Nil).

BUSINESS REVIEW

For the three months ended 30th September, 2004, the Group recorded results with a turnover of approximately RMB16,803,000, representing a decrease of approximately 2.0% when compared with the corresponding period in 2003. The sales of energy management systems ("EMS") "SAVIN 2000 I", our major product, amounted to approximately RMB14,083,000 during the period under review, representing a decrease of approximately 17.9% as compared with that of 2003 and accounted for approximately 83.8% of the total turnover of the Group. "SAVIN 2000 III", the EMS Solutions designated for industrial water circulation system, recorded a turnover of approximately RMB296,000, which accounted for 1.8% of the Group's total turnover. During the period under review, a total of 44 projects with aggregate contract value of approximately RMB14,857,000 were completed.

The Board has resolved not to declare any dividend for the three months ended 30th September, 2004 (2003: Nil).

During the period under review, the Group has successfully developed the energy saving market of industries demanding high electricity consumption. The Group has concluded a 3-year contract with Tong Li Cement Co., Ltd. 同力水泥有限公司 (“Tong Li Cement”), a domestic large-scaled cement production enterprise in Henan Province at an aggregate value of approximately RMB12,000,000 in August, 2004. It is expected that an annual cost saving of over RMB4,000,000 on energy consumption for Tong Li Cement can be achieved. Since the construction of the project is currently in progress, no sales were recorded during the period under review.

It is the first national energy saving project, with a total planning and management of energy efficiency, targeting the 10,000-volt high voltage electrical machinery system used by industries demanding high electricity consumption. The Group is currently the only company, which provides industrial enterprises with total energy efficiency planning and implementation of high/low voltage electrical machinery traction system. It is expected that the success of such project would serve as a key model for the industries demanding high electricity consumption nationwide to improve the energy saving system and to thoroughly solve the problems of an excessive consumption, thus consolidating the Group’s market position in the energy management system for industries demanding high electricity consumption.

The Group is principally engaged in the development of EMS Solutions – “SAVIN 2000” series and other energy saving products, with an aim of enabling enterprises with cost saving and profits enhancement. The results have been satisfactory. “SAVIN 2000 I” has successfully captured a significant market share in the PRC, including Fuzhou, Chongqing, Hefei, Nanjing, Hangzhou, Shanghai, Shenzhen, Tianjin, Beijing and Qingdao, and also developed the Hong Kong market. Regarding “SAVIN 2000 II”, as a result of a number of external factors, no sales were recorded during the period. The development of the Group’s another energy saving product “SAVIN 2000 III” in the industrial area has been steady. The Group is currently negotiating the feasibility of cooperation with some large-scaled industrial units, like cement plants, power plants, chemical plants, refineries and steel mills.

As the environmental friendly lighting source products achieved a relatively higher gross profit margin and received encouraging market response, the Group will actively develop such products, including Cold Cathode Fluorescent Lamp (“CCFL”) and energy saving light bulbs for domestic use, with the aim of establishing cross-selling marketing strategies and creating synergy effects. The CCFL achieved a high gross profit margin of around 30%. The Group will also endeavour in negotiating with overseas clients for the purpose of launching the environmental friendly lighting source products into the international market.

FINANCIAL REVIEW

Results & Turnover

For the three months ended 30th September, 2004, the turnover of the Group amounted to approximately RMB16,803,000, representing a slight decrease of approximately 2.0% as compared to the corresponding period last year (2003: RMB17,152,000).

The gross profit of the Group decreased by approximately 12.5% from RMB11,444,000 of corresponding period last year to RMB10,004,000 for the three months ended 30th September, 2004. The gross profit ratio decreased to 59.5% for the three months ended 30th September, 2004 from 66.7% of the corresponding period last year, owing to the comparatively lower profit margin on the central hot water system retrofit technologies and the other energy saving products which together contributed approximately 14.4% of the Group’s total sales for the three months ended 30th September, 2004.

The profit attributable to shareholders of the Group and basic earnings per share for the three months ended 30th September, 2004 were approximately RMB141,000 (2003: RMB4,280,000) and RMB0.032 cents (2003: RMB1.03 cents) respectively. In comparing the corresponding period last year, the decrease in the profit attributable to shareholders and the basic earnings per share to the extent of 96.7% and 96.9% was reflected.

Expenses and Costs

The distribution costs for the three months ended 30th September, 2004 decreased in line with the Group’s business activities by 1.3% to approximately RMB1,786,000 from RMB1,809,000 of the corresponding period last year.

General and administrative expenses sharply increased by RMB2,792,000 to approximately RMB7,993,000 for the three months ended 30th September, 2004 compared to RMB5,201,000 of the corresponding period last year. The major reason leading to such increase was the amortisation of goodwill of approximately RMB2,521,000 (2003: Nil) resulting from the acquisition of 75% of the equity interest in China Meijia Education Holdings Limited on 23rd March, 2004. In addition, the Group reserved approximately RMB551,000 (2003: Nil) as provision of doubtful debts representing 5% on the net increase of the trade receivables as of 30th September, 2004. Except for the major reasons as stated above, the Group's general and administrative expenses were indeed maintained at about the same level as the corresponding period last year.

Finance costs were approximately RMB550,000 (2003: RMB521,000) for the three months ended 30th September, 2004 and were mainly incurred for the interests of bank borrowings and coupon bonds.

FUTURE PROSPECTS

International awareness has been aroused towards energy conservation and environmental protection. Industrial and developed countries have launched environmental protection policies gradually, which reflected the tremendous potentials for energy saving solutions in the world market. With the recent burgeoning economic growth in the PRC, there is surging demand for natural resources and raw materials. However, power shortage problems in a number of areas were observed and the electricity shortage problem was the most severe one. Power saving policies have been adopted from time to time in various cities in the PRC. As a result, the utilisation of system that enhances the economic benefit of energy consumption and the minimisation of environmental pollution level of energy consumption has become the foremost mission of enterprises. As such, it provided enormous business opportunities for the energy saving industry.

Leveraged on the fruitful cooperation with Tong Li Cement, the Group will continue its efforts in developing the energy saving market of industries demanding high electricity consumption. The Group is conducting feasibility studies regarding various energy saving projects for over 20 types of industrial coverage ranging from dyeing, polyester, textile, cement, cement and steel, iron and steel, other refineries, chemical fertilizer, plastic injection, power plant, paper mill, water-related industries, oil fields, pipelines and etc. Several projects have attained fruition.

With a view to further consolidate its leading position and enhance brand awareness in the industry, the Group endeavors to explore more business opportunities both in the PRC and Hong Kong markets. The Group is committed to the fulfillment of its social functions by way of formation of strategic cooperation, integration of superior technology of the existing energy saving market and ongoing investment in the research and development of energy saving products.

To enhance product quality is also the Group's future development focus. The Group will continue its efforts in enhancing the product quality and value-added services of "SAVIN 2000" series and developing a number of distinctly new value-added energy efficiency technologies. Besides, the Group will increase its investment in respect of research and development in order to perfect "SAVIN 2000" series so as to attain a better energy saving result. In addition to promoting environmental protection, the Group is also committed to enable more enterprises to enjoy the economic benefits derived from our energy saving system.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30th September, 2004, the interests and short positions of the directors and chief executives in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the adopted code for securities transactions by directors (the "Adopted Code") as set out in the Rules 5.46 to 5.68 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

Name of Director	Number of ordinary shares			Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests		
Mr. Shum Fong Chung	247,128,000	-	-	247,128,000	56.17%

Long positions in underlying shares of the Company

Name	Share Options in the Company			Number of shares in respect of options outstanding as at 30th September, 2004
	Date of grant	Exercise price (HK\$)	Exercisable period	
Director:				
Ms. Lin Rong Ying	04/04/2003	0.30	Note	1,200,000
Chief executive:				
Mr. Kam Ying Fai	04/04/2003	0.30	Note	3,040,000

Note: Exercisable period: 04/04/2004 – 02/01/2012 (up to 25% of underlying shares exercisable under options granted)
 04/04/2005 – 02/01/2012 (up to 50% of underlying shares exercisable under options granted)
 04/04/2006 – 02/01/2012 (up to 75% of underlying shares exercisable under options granted)
 04/04/2007 – 02/01/2012 (up to 100% of underlying shares exercisable under options granted)

Save as disclosed above, none of the directors, chief executives or their associates had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept by the Company under Section 352 of the SFO or which are notified to the Company and the Stock Exchange pursuant to the Adopted Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the sections "Share Option Scheme" below and "Directors' and Chief Executives' Interests in Securities" above, at no time during the three months ended 30th September, 2004 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the three months ended 30th September, 2004, none of the Directors or the management shareholder 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 SECURITIES

As at 30th September, 2004, so far as is known to the Directors, the following person (other than the Directors and Chief Executives of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity	Number of ordinary shares	Percentage of issued share capital
Ms. Kwok Kin Kwok	Beneficial owner	24,000,000	5.78%

SHARE OPTION SCHEME

On 3rd January, 2002, the Company adopted the Share Option Scheme, the principal terms of which are set out in the Company's 2004 Annual Report.

Details of the movements of the outstanding share options granted under the Share Option Scheme of the Company during the period under review were as follows:

Name or Category of participant	Number of Shares in respect of Options					Outstanding as at 30th September, 2004	Date of grant	Exercisable period	Exercise price per share (HK\$)
	Balance as at 1st July, 2004	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				
Director:									
Lin Rong Ying	1,200,000	-	-	-	-	1,200,000	04/04/2003	<i>Note</i>	0.30
Chief Executive:									
Kam Ying Fai	3,040,000	-	-	-	-	3,040,000	04/04/2003	<i>Note</i>	0.30
Employees:									
In aggregate	<u>9,892,000</u>	-	-	-	-	<u>9,892,000</u>	04/04/2003	<i>Note</i>	0.30
Total	<u>14,132,000</u>					<u>14,132,000</u>			

Note: Exercisable period: 04/04/2004 – 02/01/2012 (up to 25% of shares exercisable under options granted)
 04/04/2005 – 02/01/2012 (up to 50% of shares exercisable under options granted)
 04/04/2006 – 02/01/2012 (up to 75% of shares exercisable under options granted)
 04/04/2007 – 02/01/2012 (up to 100% of shares exercisable under options granted)

2.5% COUPON BONDS WITH WARRANTS ATTACHED

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 (equivalent to approximately RMB37,206,000). 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 (being the average closing price of the Company's shares for the period of one month immediately preceding 1st July, 2004) of HK\$0.19 per share, subject to adjustment. The bonds and the warrants are not listed on the Stock Exchange or any other stock market.

During the three months ended 30th September, 2004, no warrant was exercised by the warrantholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the three months ended 30th September, 2004, 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 three independent non-executive directors, namely, Mr. Hon Wa Fai, Mr. Shi Jian Hui and Ms. To Sin Ning. The audit committee has reviewed the quarterly results for the three months ended 30th September, 2004.

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

The Board as of the date of this report comprises Mr. Shum Fong Chung and Ms. Lin Rong Ying as the executive directors of the Company and Mr. Hon Wa Fai, Mr. Shi Jian Hui and Ms. To Sin Ning as the independent non-executive directors of the Company.

Hong Kong, 11th November, 2004