



Creative Energy Solutions Holdings Limited

(Incorporated in Bermuda with limited liability)



Third-Quarterly

04-05

Report

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

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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 RMB40,029,000 for the nine months ended 31st March, 2005, representing a decrease of approximately 25.6% when compared with the same period in 2004.

Loss attributable to shareholders for the nine months ended 31st March, 2005 amounted to approximately RMB2,825,000 when compared with profit attributable to shareholders of approximately RMB12,479,000 of the same period in 2004.

The Board has resolved not to declare any dividend for the nine months ended 31st March, 2005.

Basic loss per share was RMB0.64 cents for the nine months ended 31st March, 2005.

QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31ST MARCH, 2005

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 and nine months ended 31st March, 2005 together with the comparative unaudited consolidated figures for the corresponding periods in 2004, as set out below:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	Note	Three months ended 31st March,		Nine months ended 31st March,	
		2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
TURNOVER, net	2	9,108	12,906	40,029	53,780
Cost of services		(3,715)	(4,510)	(16,416)	(18,185)
Gross profit		5,393	8,396	23,613	35,595
Other revenue		227	240	1,540	672
Distribution costs		(1,275)	(2,092)	(4,304)	(5,469)
General and administrative expenses		(6,681)	(5,221)	(21,209)	(15,081)
(LOSS)/PROFIT FROM OPERATIONS		(2,336)	1,323	(360)	15,717
Finance costs		(515)	(535)	(1,727)	(1,622)
(LOSS)/PROFIT BEFORE TAXATION		(2,851)	788	(2,087)	14,095
Taxation	3	(414)	(66)	(1,180)	(792)
(LOSS)/PROFIT AFTER TAXATION		(3,265)	722	(3,267)	13,303
Minority interests		230	(15)	442	(824)
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		(3,035)	707	(2,825)	12,479
(Loss)/Earnings per share					
Basic	4(i)	(0.69) cents	0.16 cents	(0.64) cents	2.93 cents
Diluted	4(ii)	N/A	0.16 cents	N/A	2.77 cents

Notes:

1. Basis of presentation

The unaudited consolidated financial results have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong and 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 the unaudited consolidated financial results.

The measurement basis used in the preparation of the unaudited consolidated financial results is historical cost.

2. Turnover and segment information

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		Nine months ended	
	31st March, (Unaudited)		31st March, (Unaudited)	
	2005	2004	2005	2004
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from provision of system design and integration services	8,726	12,561	38,279	52,258
Revenue from provision of energy saving services	382	345	1,750	1,522
	9,108	12,906	40,029	53,780

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.

3. Taxation

	Three months ended 31st March, (Unaudited)		Nine months ended 31st March, (Unaudited)	
	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Hong Kong profits tax (<i>see note (ii) below</i>)	–	8	–	437
PRC enterprise income tax (<i>see note (iii) below</i>)	414	58	1,180	355
Taxation	414	66	1,180	792

(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 and nine months ended 31st March, 2005. Hong Kong profits tax of RMB8,000 and RMB437,000 was provided respectively at the rate of 17.5% on the estimated profit for the three months and nine months ended 31st March, 2004.

(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.

(iv) PRC business and value added taxes

Fujian Traving Science & Technology of Saving Development Co., Ltd and Hainan Creative Easy Union Science & Technology of Saving Development Co., Ltd are subject to PRC business tax at 5% of the revenue from provision of system design and integration and energy saving service. Beijing Creative Easy Union Science & Technology of Saving Development Co., Ltd. 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 Eternal Well Science & Technology of Saving Development Co., Ltd and Fujian Creative New Era Control Technology Co., Ltd are 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 and nine months ended 31st March, 2005 and 2004.

4. Loss/earnings per share

(i) Basic loss/earnings per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to shareholders of approximately RMB3,035,000 and RMB2,825,000 and the 440,000,000 ordinary shares in issue during the three months and nine months ended 31st March, 2005.

The calculation of basic earnings per share was based on the unaudited consolidated profit attributable to shareholders of approximately RMB707,000 and RMB12,479,000 and the weighted average number of 440,000,000 and 426,090,909 ordinary shares respectively in issue during the three months and nine months ended 31st March, 2004.

(ii) Diluted loss/earnings per share

Diluted loss per share for the three months and nine months ended 31st March, 2005 are not presented as there were no dilutive potential ordinary shares in existence during the three months and nine months ended 31st March, 2005.

The calculation of diluted earnings per share for the three months and nine months ended 31st March, 2004 was based on the unaudited consolidated profit attributable to shareholders of approximately RMB707,000 and RMB12,479,000 and the weighted average number of 453,797,170 and 451,306,426 ordinary shares after adjusting for the effects of all dilutive potential shares under the Company's warrants.

(iii) Reconciliation

	During the three months ended 31st March, 2005	During the three months ended 31st March, 2004	During the nine months ended 31st March, 2005	During the nine months ended 31st March, 2004
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares used in calculating basic loss/earnings per share	440,000,000	440,000,000	440,000,000	426,090,909
Deemed issue of ordinary shares	N/A	13,797,170	N/A	25,215,517
Weighted average number of ordinary shares used in calculating diluted loss/earnings per share	N/A	453,797,170	N/A	451,306,426

5. Statement of changes in equity (Unaudited)

For the nine months ended 31st March, 2005

	Share capital	Share premium	Merger reserve	General reserve fund	Enterprise expansion reserve fund	Retained profits	Total
	RMB'000	RMB'000	(note (i)) RMB'000	(note (ii)) RMB'000	(note (iii)) 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	-	-	-	-	-	12,479	12,479
Issuance of 25,000,000 ordinary shares	2,650	3,975	-	-	-	-	6,625
Share issuance expenses	-	(268)	-	-	-	-	(268)
Transfer from retained profits to reserves	-	-	-	438	2,436	(2,874)	0
At 31st March, 2004	46,640	51,006	10,440	7,026	15,071	68,387	198,570
At 1st July, 2004	46,640	51,006	10,440	6,922	14,926	59,997	189,931
Loss for the period	-	-	-	-	-	(2,825)	(2,825)
Transfer from retained profits to reserves	-	-	-	-	1,421	(1,421)	0
At 31st March, 2005	46,640	51,006	10,440	6,922	16,347	55,751	187,106

Notes:

- (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.

- (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.

DIVIDEND

The Board has resolved not to declare any dividend for the nine months ended 31st March, 2005 (2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the period under review, the Group spared no effort in developing its Energy Management Systems Solutions, "SAVIN 2000", with an aim to enhance the energy saving effects, reduce clients' energy expenses and optimize the energy efficiency for clients, by means of our ever pursuit of excellence for our products.

Energy Management Systems ("EMS") Solutions

For the nine months ended 31st March, 2005, the turnover of the Group amounted to approximately RMB40,029,000, representing a decrease of approximately 25.6% compared with the corresponding period last year. "SAVIN 2000 I", accounting for approximately 81% of turnover and a value of approximately RMB32,467,000, which represented a decrease of approximately 35% compared with the corresponding period last year.

During the period under review, EMS "SAVIN 2000 I" of the Group has received growing market recognitions. The Group has entered into agreements with a commercial building and various hotels during the period under review for the provision of conservative energy saving systems. In February, 2005, the Group entered into a 4-year contract with Peninsula Centre in Tsim Sha Tsui, for the design and installation of "SAVIN 2000 I" centralized air-conditioning energy-saving system, with an aggregate contract amounted to approximately HK\$608,000. It is expected that such system will help to reduce the electricity consumption of Peninsula Centre by approximately HK\$180,000 per year. Previously, the installation of the EMSs for Melbourne Plaza, located at 33 Queen's Road Central, Central, Hong Kong and Garden Company Limited has been completed. The respective EMSs have commenced operations and therefore will contribute to the Group's profit in the near future.

In addition to the energy saving projects for large commercial buildings, the Group has entered into a 3-year contract with Regal Hotels International Holdings Limited during the period under review, for the installation of "SAVIN 2000 I" in the two hotels, Regal Airport Hotel and Regal Hongkong Hotel with a total contract amount of approximately HK\$2,336,000. It is expected that such system will help to reduce the electricity consumption of the two hotels by approximately HK\$746,000 and HK\$194,000 per year, respectively.

In the PRC, the Group focused on not only to maintain the relationship with existing clients but also proactively to develop new markets. During the period under review, the Group has conducted a feasibility study on the application of energy saving projects in plastic injection, and successfully executed cooperation agreements with various plastic injection enterprises in Pearl River Delta for the provision of EMS. In addition to the established markets in Shanghai, Fuzhou, Chongqing, Hefei, Nanjing, Hangzhou, Tianjin, Beijing and Qingdao, the Group has successfully penetrated into the major cities in the Mainland.

Energy-saving Products

In view of the high gross profit margin and encouraging market response of the environmental-friendly lighting products, the Group will actively develop such products, including Cold Cathode Fluorescent Lamp and energy-saving lights for domestic use, with an aim to establish cross-product selling strategies and creating synergy effects. During the period under review, the Group has successfully explored the Japanese market and has secured an order from a large enterprise in Japan, which is expected to contribute to our profit shortly.

Future Prospects

Despite of the burgeoning economic development in China and the rapid growth of the demand for electricity in recent years, shortage and limit on electricity supply has been a serious disturbance to the economic development, thus resulted in the increasing unit price of electricity. The State Electricity Regulatory Commission expected that electricity shortage in the country will pose a continuous problem in the current year. Given the lack of resources, the growing concern over environmental protection in the country, the application of systems to improve economic efficiency of energy consuming goods and the strategies to minimize pollution have remained as an important issue for many enterprises, all these have brought tremendous business opportunities for the Group's energy-saving business.

The Group will continue to deepen and extend its market share over the existing clients' base. Recently, the Group is negotiating with various commercial buildings in the PRC and in Hong Kong for cooperation, with an aim to lower costs, enhance profits and achieve better cost efficiency. In the future, the Group will continue to allocate more resources on the enhancement of its services quality. Leverage on our unparalleled expertise and experience accumulated throughout the years, the Group will further develop the EMS market for commercial buildings in Hong Kong.

To further explore the market, the Group has conducted a feasibility study on the application of EMS in textile industry and the result is satisfying. Discussions on cooperation agreement with certain enterprises are in progress and anticipated to conclude in the near future. The Group will continue its efforts on the preparation of the feasibility study regarding the EMS development in over ten industries, including dyeing, polyester, textile, cement and steel, iron and steel, other refineries, chemical fertilizer, power plant, paper mill, water-related industries, oil fields, pipelines and etc.

The 「STC – 100證照通證件人像採集系統」 of Fujian Creative New Era Control Technology Co., Ltd, which is under the control of the Group, has been highly appreciated by the local governments and related departments of Heilongjiang in the PRC, and therefore, the Company was elected to be the operator of the image collection system for the second generation of Intelligent ID card. Trial run has been launched in Mudang City, Heilongjiang Province. It is expected that upon completion of the trial run, the project will bring considerable revenue to the Group in three years.

Looking ahead, the Group will continuously provide innovative products and services, optimize existing services by standardized operation, enhance the Group's image as a professional brand and realize healthy, fast development, so as to enable the Group to gain further market recognition and to provide shareholders with greater reward.

FINANCIAL REVIEW

Results & Turnover

The turnover of the Group for the nine months ended 31st March, 2005 was approximately RMB40,029,000, representing a decrease of approximately 25.6% as compared to the corresponding period last year (2004: RMB53,780,000). The turnover of Hong Kong market was approximately RMB845,000 for the nine months ended 31st March, 2005 which was RMB6,930,000 less than that of the same period last year. The revenue has not yet reflected in the turnover for this quarter due to several energy-saving projects of the Group are still in progress.

The gross profit of the Group decreased by approximately 33.7% from approximately RMB35,595,000 of corresponding period last year to RMB23,613,000 for the nine months ended 31st March, 2005. The gross profit ratio decreased to 59% for the nine months ended 31st March, 2005 from 66% 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.

The loss attributable to shareholders of the Group and basic loss per share for the nine months ended 31st March, 2005 were approximately RMB2,825,000 and RMB0.64 cents respectively. In comparing the corresponding period last year, the profit attributable to shareholders of RMB12,479,000 and basic earnings per share of 2.93 cents were reflected.

Expenses and Costs

The distribution costs for the nine months ended 31st March, 2005 decreased in line with its business activities by 21.3% to RMB4,304,000 from approximately RMB5,469,000 of the corresponding period last year.

General and administrative expenses sharply increased by approximately RMB6,128,000 to approximately RMB21,209,000 for the nine months ended 31st March, 2005 compared to approximately RMB15,081,000 of the corresponding period last year. The major reasons leading to the sharp increase was the amortisation of goodwill of approximately RMB7,562,000 (2004: Nil) resulting from the acquisition of 75% equity interest in China Meijia Education Holdings Limited on 23rd March, 2004. In addition, the Group provided approximately RMB893,000 for provision of bad and doubtful debts representing 5% on the net increase of the gross trade receivables as of 31st March, 2005.

Finance costs were approximately RMB1,727,000 (2004: RMB1,622,000) for the nine months ended 31st March, 2005 and were mainly incurred for the interests of bank borrowings and coupon bonds.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st March, 2005, 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

Share Options in the Company

Name	Date of grant	Exercise price (HK\$)	Exercisable period	Number of shares in respect of options outstanding as at 31st March, 2005
<i>Director:</i>				
Ms. Lin Rong Ying	04/04/2003	0.30	<i>Note</i>	1,200,000

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 nine months ended 31st March, 2005 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 nine months ended 31st March, 2005, 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 31st March, 2005, 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 31st March, 2005	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				
<i>Director:</i>									
Lin Rong Ying	1,200,000	-	-	-	-	1,200,000	04/04/2003	Note 1	0.30
<i>Chief Executive:</i>									
Kam Ying Fai	3,040,000	-	-	-	-	-	04/04/2003	Note 1	0.30
						Note 2			
<i>Employees:</i>									
In aggregate	9,892,000	-	-	-	-	12,932,000	04/04/2003	Note 1	0.30
						Note 2			
Total	14,132,000					14,132,000			

Notes:

- 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)
- Mr. Kam Ying Fai ceased to act as chief executive of the Company on 31st March, 2005.

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 January, 2005) of HK\$0.10 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, 2005, no warrant was exercised by the warrant holders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the nine months ended 31st March, 2005, 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 nine months ended 31st March, 2005.

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 May, 2005