



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

**2011**

First Quarterly 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.

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*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.*

**FIRST QUARTERLY RESULTS**

The board (the “Board”) of directors (the “Directors”) 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 30 September 2010 together with the comparative unaudited consolidated figures for the corresponding period in 2009, as set out below:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

*FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010*

		<b>Three months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2010</b>	2009
		<b>RMB'000</b>	<i>RMB'000</i>
<b>Turnover</b>	4	2,229	3
Cost of services		<u>(2,184)</u>	<u>—</u>
<b>Gross profit</b>		45	3
Gain on debt restructuring, net	5	90,428	—
Other income		2	9
Administrative expenses		<u>(1,580)</u>	<u>(84)</u>
<b>Profit/(loss) from operations</b>		88,895	(72)
Finance costs		<u>—</u>	<u>(354)</u>
<b>Profit/(loss) before taxation</b>		88,895	(426)
Taxation	6	<u>—</u>	<u>—</u>
<b>Profit/(loss) for the period</b>		<u><b>88,895</b></u>	<u>(426)</u>
<b>Attributable to:</b>			
Equity holders of the Company		<u><b>88,895</b></u>	<u>(426)</u>
			(Restated)
<b>Earnings/(loss) per share</b>			
Basic	7	<u><b>71 cents</b></u>	<u>(4.84) cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

*FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2010*

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit/(loss) for the period	<b>88,895</b>	(426)
<b>Other comprehensive income:</b>		
Exchange differences on translating foreign currency	<u>(357)</u>	<u>2</u>
<b>Total comprehensive income/(loss) for the period</b>	<b><u>88,538</u></b>	<b><u>(424)</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	<b><u>88,538</u></b>	<b><u>(424)</u></b>

Notes:

## 1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”). The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

### Significant Accounting Policies

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2010 except in relation to the following new and revised HKFRS that are adopted for the first time for the current period’s financial information.

HKFRS 2 (Amendment)	Group cash settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement — Eligible Hedged Items
HK(IFRIC) — Int 17 (Amendment) Improvements to HKFRSs 2009	Distributions of Non-Cash Assets to Owners

The Group has not early applied any new standard, amendment or interpretation that has been issued but is not yet effective.

## 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 Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

### 3. RESTRUCTURING PROPOSAL

The Restructuring Proposal has been successfully implemented and completed on 29 July 2010, details of the Restructuring Proposal are set out in the circular (“Circular”) dated 30 June 2010 issued to the shareholders of the Company.

Principal terms of the Restructuring Proposal are summarized below. Capitalised terms used herein shall have the same meanings as those defined in the Circular unless otherwise defined.

#### (i) Stage I Capital Reorganisation

The Company implemented capital reduction and share subdivision after passing of the requisite resolutions by the Independent Shareholders approving the Stage I Capital Reorganisation and compliance with the relevant legal procedures and requirements under all applicable laws and regulations.

##### (a) Capital reduction

The nominal value of each issued share was reduced from HK\$0.10 to HK\$0.001 by cancelling the paid-up capital to the extent of HK\$0.099 on each issued share and approximately HK\$43.56 million arising from such reduction of a total of 440,000,000 shares was credited to the accumulated losses account of the Company.

##### (b) Share subdivision

Immediately following the capital reduction, each of the Company’s then existing authorised but unissued shares of HK\$0.10 each was subdivided into 100 unissued shares of HK\$0.001 each.

Accordingly, upon the completion of Stage I Capital Reorganisation, the authorised but unissued share capital of the Company was HK\$99,560,000 divided into 99,560,000,000 Adjusted Shares of HK\$0.001 each and the issued share capital was HK\$440,000 divided into 440,000,000 Adjusted Shares of HK\$0.001 each.

#### (ii) Stage II Capital Reorganisation

The Stage II Capital Reorganisation comprises the share consolidation which became effective immediately after completion of the Subscription.

##### *Share consolidation*

Every 50 issued and unissued Adjusted Shares was consolidated into one New Share. Accordingly, 100,000,000,000 issued and unissued Adjusted Shares were consolidated into 2,000,000,000 issued and unissued New Shares.

**(iii) Subscription**

Pursuant to the Subscription Agreement, immediately after the implementation of the Stage I Capital Reorganisation, the Investor subscribed for 8,316,000,000 Adjusted Shares (equivalent to 166,320,000 New Shares upon completion of the Stage II Capital Reorganisation), representing approximately 94.5% of the total enlarged share capital of the Company, at a consideration of HK\$48.3 million with the subscription price of HK\$0.0058 per Adjusted Share.

An amount of HK\$3.1 million out of the subscription proceeds was transferred to the Scheme Administrators for the creditors' settlement and the balance of the subscription proceeds was used for working capital and investments of the Company.

**(iv) Debt Restructuring**

All indebtedness of the Company was restructured pursuant to the terms of the Restructuring Proposal and the Schemes. The indebtedness owing to the creditors was discharged in full via the Schemes as follows:

- (a) a cash payment in the amount equivalents to 5% of the relevant indebtedness owed to the Creditors (which is approximately HK\$3.1 million based on the proof of debt received by the Liquidators), which was funded by the Company out of the proceeds of the Subscription;
- (b) the issuance of a total of 880,000 New Shares to the creditors at nil consideration, credited as fully paid, representing approximately 0.5% of the enlarged issued share capital of the Company upon completion of the Restructuring Agreement;
- (c) the transfer of all subsidiaries of the Company, except Beijing Creative, Easy Union Holdings Limited, Rising Dragon International Limited and Action Win Investments Limited, and all rights and benefits of the Company to pursue claims from third parties (collectively referred to "Other Assets") to the Scheme Administrators or its nominees for the benefit of the Creditors under the Group Reorganisation.

**(v) Group Reorganisation**

Under the Group Reorganisation, the structure of the Group was restructured in the following manner:

- (a) the Company will set up Scheme Holdco as an investment holding company to hold the Other Assets;
- (b) the entire interest of the Other Assets was disposed of to Scheme Holdco in consideration of HK\$1;
- (c) the entire interest of Scheme Holdco was disposed of to the Scheme Administrators or its nominee in consideration of HK\$1.

#### 4. TURNOVER

Turnover represents revenue arising from provision of energy saving services and sales of energy saving products. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
<b>Turnover</b>		
Provision of energy saving services and sales of energy saving products	<u>2,229</u>	<u>3</u>

The Board considers that the business of the Group is organised in one operating segment as provision of energy saving services and sales of energy saving products. Additional disclosure in relation to segment information is not presented as the Board assesses the performance of the only operating segment identified based on the consistent information as disclosed in the condensed consolidated financial statements.

#### 5. GAIN ON DEBT RESTRUCTURING, NET

Pursuant to the debt restructuring of the Group, the gain on debt restructuring is as follows:

	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>RMB'000</b>	<i>RMB'000</i>
Debt waived/discharged	101,074	—
Cash paid to the Creditors	(2,722)	—
Restructuring cost	(7,701)	—
New shares allotted and issued	(223)	—
	<u>90,428</u>	<u>—</u>

#### 6. 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 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 30 September 2010 and 2009.

**(iii) PRC enterprise income tax**

No provision for PRC enterprise income tax has been made as the subsidiary has sustained a loss for the three months ended 30 September 2010 and 2009.

**7. EARNINGS/(LOSS) PER SHARE**

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	<b>Three months ended 30 September 2010</b>	
	<i>RMB'000</i>	
Profit for the period attributable to equity holders of the Company	88,895	
	<u>          </u>	
	<b>Number of</b>	
	<i>'000</i>	
Number of ordinary shares	440,000	
Effect of shares issued through the Subscription	5,785,043	
Effect of shares consolidation	(6,100,542)	
Effect of shares issued to the Creditors	612	
	<u>          </u>	
Weighted average number of ordinary shares at the end of the period	125,113	
	<u>          </u>	
	<b>Three months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	2009
	<b>RMB</b>	<b>RMB</b>
		<i>(Restated)</i>
Earnings/(loss) per share	<u>71 cents</u>	<u>(4.84 cents)</u>

The calculation of basic loss per share is based on the loss attributable to the equity holders of the Company for the three months ended 30 September 2009 of approximately RMB426,000 and the weighted average number of 8,800,000\* ordinary shares in issued in the period.

\* The number of ordinary shares has been adjusted as a result of the fifty-to-one share consolidation effective on 29 July 2010. The weighted average number of ordinary share issued for the three months ended 30 September 2009 has been restated.

## 8. SHARE CAPITAL

On 29 July 2010, the Company has undergone a restructuring pursuant to the Restructuring Agreement:

	Number of '000	Amount RMB'000
<b>Authorised:</b>		
At 1 July 2010		
Ordinary shares of HK\$0.10 (equivalent to approximately RMB0.106 each)	1,000,000	106,000
Effect of share subdivision ( <i>Note 3(i)(b)</i> )	<u>99,000,000</u>	<u>—</u>
Ordinary shares of HK\$0.001 each (equivalent to approximately RMB0.00106 each)	100,000,000	106,000
Effect of share consolidation ( <i>Note 3(ii)</i> )	<u>(98,000,000)</u>	<u>—</u>
At 30 September 2010		
Ordinary shares of HK\$0.05 each (equivalent to approximately RMB0.053 each)	<u>2,000,000</u>	<u>106,000</u>
<b>Ordinary shares issued and fully paid:</b>		
At 1 July 2010		
Ordinary shares of HK\$0.10 each (equivalent to approximately RMB0.106 each)	440,000	46,640
Capital reduction ( <i>Note 3(i)(a)</i> )	—	(46,174)
Issue of ordinary shares through Subscription (equivalent to approximately RMB0.00087 each) ( <i>Note 3(iii)</i> )	<u>8,316,000</u>	<u>7,269</u>
Ordinary shares of HK\$0.001 each (equivalent to approximately RMB0.00088 each)	8,756,000	7,735
Effect of share consolidation ( <i>Note 3(ii)</i> )	<u>(8,580,880)</u>	<u>—</u>
	175,120	7,735
Issue of ordinary shares to the Creditors (equivalent to approximately RMB0.04432 each) ( <i>Note 3(iv)(b)</i> )	<u>880</u>	<u>39</u>
At 30 September 2010		
Ordinary shares of HK\$0.05 each (equivalent to approximately RMB0.04417 each)	<u>176,000</u>	<u>7,774</u>

## 9. RESERVES

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 July 2009	46,640	51,006	7,719	(200,288)	(94,923)
Total comprehensive loss for the period	—	—	2	(426)	(424)
At 30 September 2009	<u>46,640</u>	<u>51,006</u>	<u>7,721</u>	<u>(200,714)</u>	<u>(95,347)</u>
At 1 July 2010	46,640	51,006	7,719	(200,654)	(95,289)
Capital reduction	(46,174)	—	—	46,174	—
Issue of ordinary shares	7,308	35,076	—	—	42,384
Total comprehensive income for the period	—	—	(357)	88,895	88,538
At 30 September 2010	<u>7,774</u>	<u>86,082</u>	<u>7,362</u>	<u>(65,585)</u>	<u>35,633</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company's shares have been resumed trading successfully on the GEM Board of the Stock Exchange of Hong Kong Limited on 30 July 2010.

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

### Financial Review

During the period under review, the Group's turnover comprised provision of energy services and sales of energy saving products was approximately RMB2.23 million, representing an increase of approximately RMB2,226,000 over the turnover for the corresponding period in 2009.

The consolidated gain attributable to shareholders of the Company amounted to approximately RMB88.9 million for the three months ended 30 September 2010 (three months ended 30 September 2009: loss of RMB426,000). The consolidated gain was mainly attributable to the extraordinary gain on debt restructuring of approximately RMB90.4 million. Save and except for the gain on debt restructuring, the Company incurred loss from its operation of the provision of energy services and sales of energy saving products.

### Business Review and Prospects

After restructuring and with the injection of new capital, the management is able to improve its business network and expand its business opportunities in relation to the energy saving and emission reduction to a certain level within a short period of time after the resumption of trading in the shares of the Company on the Stock Exchange on 30 July 2010.

Looking ahead, apart from focusing on 1) optimizing and upgrading the technology and licenses in order to develop our core competitive strength through licensed technology and services; and 2) researching and formulating the Group's operating strategy and plan with concentration on the PRC energy saving policy, the management believes that the business will keep on track.

### Capital Structure

As at 30 September 2010, the Company's total number of issued shares was 176,000,000 shares of HK\$0.05 each (2009: 440,000,000 shares of HK\$0.10 each).

**DIVIDENDS**

The directors do not recommend the payment of any dividend for the period ended 30 September 2010 (2009: 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 three months ended 30 September 2010 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such financial results complied with the applicable accounting standards and requirements and adequate disclosure have been made.

**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 SECURITIES**

At 30 September 2010, the interests and short positions of the directors and chief executive in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors were as follows:

<b>Name of Directors</b>	<b>Nature of interest</b>	<i>Note</i>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of total issued shares as at 30 September 2010</b>
Mr. Xu Bo	Corporate	(1)	127,057,440	72.19%
Mr. Wu Chun Wah	Corporate	(1)	127,057,440	72.19%

*Notes:*

- (1) The interest disclosed represents the corporate interest in 127,057,440 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 Mr. 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 under the heading “Substantial Shareholders’ Interest in Securities” below, as at 30 September 2010, none of the directors and chief executive of the Company or their associates had or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

### SUBSTANTIAL SHAREHOLDERS’ INTEREST IN SECURITIES

At 30 September 2010, save as disclosed in the section headed “Directors’ and Chief Executive’s Interests in Securities” above for interests of Mr. Xu Bo and Mr. Wu Chun Wah and each of their associates including Million Sino Investments Limited, in shares and underlying shares of the Company, the following persons had or deemed to have an interest in the shares and the underlying shares of the Company which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Name	Capacity	Note	Number of issued ordinary shares held	Approximate percentage of total issued shares as at 30 September 2010
Ms Chen Li	Interest of spouse	(1)	127,057,440	72.19%
Ms Lee Siu Yee, Brenda	Interest of spouse	(2)	127,057,440	72.19%

*Notes:*

- (1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 127,057,440 shares in which Mr Xu Bo is deemed to be interested.
- (2) Ms Lee Siu Yee, Brenda, the spouse of Mr. Wu Chun Wah, is also deemed to be interested in such 127,057,440 shares in which Mr. 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, the Company had not been notified of any interests or short positions held or being deemed to be held by any substantial shareholder (not being a director or chief executive of the Company) in the shares or underlying shares of the Company as at 30 September 2010.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

At 30 September 2010, 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**

To the best knowledge of the Board, the Company had complied with the Code of Best Practice as set out in Appendix 15 of the GEM Listing Rules.

By order of the Board  
**Creative Energy Solutions Holdings Limited**  
**Xu Bo**  
*Chairman*

Hong Kong, 10 November 2010

*As at the date of this report, the Board comprises Mr. Xu Bo, Mr. Wu Chun Wah, Michael as the executive directors; and Mr. Cheong Ying Chew, Henry, Mr. Chan Sun Kwong and Dr. Zhao Bin as the independent non-executive directors.*