



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

**2011**

Third Quarterly Report



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

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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.*

**THIRD QUARTERLY RESULTS**

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 31 March 2011 together with the comparative unaudited consolidated figures for the corresponding periods in 2010, as set out below:

**CONDENSED CONSOLIDATED INCOME STATEMENT**

*FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2011*

	Notes	Three months ended 31 March (Unaudited)		Nine months ended 31 March (Unaudited)	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
<b>Turnover</b>	4	605	2,048	4,933	7,268
Cost of services		<u>(503)</u>	<u>(2,038)</u>	<u>(4,730)</u>	<u>(7,188)</u>
<b>Gross profit</b>		102	10	203	80
Gain on debt restructuring, net	5	—	—	90,428	—
Other income		5	—	22	10
General and administrative expenses		<u>(1,331)</u>	<u>(210)</u>	<u>(9,769)</u>	<u>(482)</u>
<b>Profit/(loss) from operations</b>		<u>(1,224)</u>	<u>(200)</u>	<u>80,884</u>	<u>(392)</u>
Finance costs		<u>—</u>	<u>(355)</u>	<u>—</u>	<u>(1,064)</u>
<b>Profit/(loss) before taxation</b>		<u>(1,224)</u>	<u>(555)</u>	<u>80,884</u>	<u>(1,456)</u>
Taxation	6	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Profit/(loss) for the period attributable to equity holders of the Company</b>		<u><u>(1,224)</u></u>	<u><u>(555)</u></u>	<u><u>80,884</u></u>	<u><u>(1,456)</u></u>
			(Restated)		(Restated)
<b>Earnings/(loss) per share</b>					
Basic and diluted earnings/(loss) per share	7	<u><u>(0.70) cents</u></u>	<u><u>(6.31) cents</u></u>	<u><u>50.90 cents</u></u>	<u><u>(16.55) cents</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
*FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 MARCH 2011*

	Three months ended		Nine months ended	
	31 March		31 March	
	(Unaudited)		(Unaudited)	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit/(loss) for the period</b>	<b>(1,224)</b>	(555)	<b>80,884</b>	(1,456)
<b>Other comprehensive income</b>				
<b>(expenses):</b>				
Exchange differences on translating foreign operations	<u>(127)</u>	<u>8</u>	<u>(1,038)</u>	<u>18</u>
Total comprehensive income/ (expenses) for the period attributable to equity holders of the Company	<u><b>(1,351)</b></u>	<u>(547)</u>	<u><b>79,846</b></u>	<u>(1,438)</u>

*Notes:*

## **1. GENERAL INFORMATION**

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

The Company’s functional currency is Hong Kong dollars. The unaudited condensed 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.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited condensed consolidated financial statements for the nine months ended 31 March 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

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.

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

The unaudited condensed consolidated financial statements have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

## **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 Restructuring Proposal are summarised 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 but prior to the Subscription.

**(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 existing authorised but unissued share of HK\$0.10 each was subdivided into 100 unissued share of HK\$0.001 each.

Accordingly, upon the completion of Stage I Capital Reorganisation, the authorised but unissued share capital was become 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 the 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 structured in the following manners:

- (a) the Company 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 revenue recognised in turnover during the period is as follows:

Three months ended 31 March (Unaudited)		Nine months ended 31 March (Unaudited)	
2011	2010	2011	2010
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>

#### Turnover

Revenue from provision of energy saving services and sales of energy saving products

<u>605</u>	<u>2,048</u>	<u>4,933</u>	<u>7,268</u>
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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:

	Three months ended		Nine months ended	
	31 March		31 March	
	(Unaudited)		(Unaudited)	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Debt waived/discharged	—	—	101,074	—
Cash paid to the Creditors	—	—	(2,722)	—
Restructuring cost	—	—	(7,701)	—
New shares allotted and issued	—	—	(223)	—
	—	—	90,428	—
	<u>—</u>	<u>—</u>	<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 and nine months ended 31 March 2011 and 2010.

**(iii) PRC enterprise income tax**

No provision for PRC enterprise income tax has been made for the three and nine months ended 31 March 2011 and 2010 as the subsidiary has sustained a loss during the period.

**7. EARNINGS/(LOSS) PER SHARE****(a) Basic 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:

	Three months ended 31 March 2011 RMB'000	Nine months ended 31 March 2011 RMB'000
Profit/(loss) for the period attributable to equity holders of the Company	<u>(1,224)</u>	<u>80,884</u>



	Three months ended 31 March 2011	Nine months ended 31 March 2011
	Number of shares '000	Number of shares '000
Number of ordinary shares:		
Issued ordinary shares at the beginning of the period	176,000	440,000
Effect of share issued through the Subscription	—	7,466,190
Effect of share consolidation	—	(7,748,066)
Effect of shares issued to the Creditors	—	790
	<u>176,000</u>	<u>790</u>
Weighted average number of ordinary shares in issue during the period	<u>176,000</u>	<u>158,914</u>

	Three months ended 31 March		Nine months ended 31 March	
	2011 <i>RMB</i>	2010 <i>RMB</i> (Restated)	2011 <i>RMB</i>	2010 <i>RMB</i> (Restated)
Earning/(loss) per share	<u>(0.70) cents</u>	<u>(6.31) cents</u>	<u>50.90 cents</u>	<u>(16.55) 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 and nine months ended 31 March 2010 of approximately RMB555,000 and RMB1,456,000 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 and nine months ended 31 March 2010 has been restated.

#### (b) Diluted earnings per share

There were no potential dilutive ordinary shares during the current and prior periods, therefore, diluted earnings per share are the same as the basic earnings per share.

## 8. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 March 2011 (2010: Nil).

## 9. SHARE CAPITAL

On 29 July 2010, the Company has undergone a restructuring pursuant to the Restructuring Agreement as referred to note 3 above:

	<b>Number of shares '000</b>	<b>Amount RMB\$'000</b>
<b>Authorised:</b>		
At 1 July 2010		
Ordinary shares of HK\$0.10 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	100,000,000	106,000
Effect of share consolidation ( <i>Note 3(ii)</i> )	<u>(98,000,000)</u>	<u>—</u>
At 31 March 2011		
Ordinary shares of HK\$0.05 each	<u>2,000,000</u>	<u>106,000</u>
<b>Issued and fully paid:</b>		
At 1 July 2010		
Ordinary shares of HK\$0.10 each	440,000	46,640
Capital reduction ( <i>Note 3(i)(a)</i> )	—	(46,174)
Issue of ordinary shares through Subscription ( <i>Note 3(iii)</i> )	<u>8,316,000</u>	<u>7,269</u>
Ordinary shares of HK\$0.001 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 Creditors ( <i>Note 3(iv)(b)</i> )	<u>880</u>	<u>39</u>
At 31 March 2011		
Ordinary shares of HK\$0.05 each	<u>176,000</u>	<u>7,774</u>

## 10. RESERVES

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	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>
For the nine months ended 31 March 2010					
At 1 July 2009	46,640	51,006	7,719	(200,288)	(94,923)
Total comprehensive income/ (expenses) for the period	—	—	18	(1,456)	(1,438)
At 31 March 2010	<u>46,640</u>	<u>51,006</u>	<u>7,737</u>	<u>(201,744)</u>	<u>(96,361)</u>
For the nine months ended 31 March 2011					
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/ (expenses) for the period	—	—	(1,038)	80,884	79,846
At 31 March 2011	<u>7,774</u>	<u>86,082</u>	<u>6,681</u>	<u>(73,596)</u>	<u>26,941</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 and its subsidiaries (the "Group") were 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 was approximately RMB605,000, representing a decrease of approximately RMB1,443,000 over the turnover for the corresponding period in 2010. The consolidated gain from operation of the Group was mainly attributable to the extraordinary gain on debt restructuring of approximately RMB90,428,000. Save and except for the gain on debt restructuring, the Group's underlying loss attributable to shareholders of the Company increased by 6 times to RMB9,544,000 (2010: loss of RMB 1,456,000).

Due to gain on debt restructuring, the basic earnings per share was increased to RMB50.9 cents for the nine months ended 31 March 2011 (2010: loss of RMB16.55 cents).

### Business Review and Prospects

For the period under review, the Group's operation loss was RMB1,224,000 (2010: loss of RMB200,000), representing an increase of 6 times over the operation loss for the corresponding period in 2010, it was mainly attributable to the cost of employees and cost of preparation work for normal business which were increased after completion of the Company's restructuring on 29 July 2010.

Commencing from January 2011, the Group implemented the new business strategies formulated for focusing on green lighting, integrated energy saving solution for industrial entities and recycle energy projects. The Group further adjusted its business focus from commercial building energy saving solution projects to industrial projects in view of huge market demand.

For the period under review, some resources were reallocated to exploring energy saving solutions and green lighting for industrial projects. As a result, turnover for the past 3 months ended 31 March 2011 sharply dropped. On the other hand, the Group has continuously devoted good efforts in upgrading its energy saving technology. Up to 31 March 2011, the Group has obtained two patents application endorsements for SAVIN 3000 series. To rapidly expand its business coverage, the Group decided to implement the agency system and appoint an agent for individual geographical location or sector. For the past 3 months, the Group has successfully entered into several agency contracts with various PRC companies who have established business connections with large industrial companies in major cities in China. With the support and services rendered by the agents, the Group is able to expand its business coverage rapidly.

### **Prospects**

Year of 2011 is the first year of Twelfth Five-year plan in China. The PRC government has put great emphasis on promoting energy saving and environmental protection. Besides, there are increasing needs for energy saving solutions in industrial sector in response to the upsurge of oil price and electricity tariffs last year. Market outlook to the Group is promising in view of the encouraging government policy and increasing needs. The Group is confident that the new formulated business strategies will enable the Group to expand its business in a rapid pace. In order to expedite its business development, the Group will further expand its agency network by identifying and appointing appropriate agents in various cities in China. Besides, the Group is also looking for appropriate investment opportunities with reasonable earnings in the energy saving sectors in order to maximize the returns to shareholders.

### **Capital Structure**

As at 31 March 2011, the Company's total number of issued shares was 176,000,000 shares of HK\$0.05 each (2010: 440,000,000 shares of HK\$0.10 each).

### **DIVIDEND**

The directors do not recommend the payment of any dividend for the period ended 31 March 2011 (2010: 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 nine months ended 31 March 2011 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 31 March 2011, 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:

Name of Directors	Nature of interest	Note	Number of issued ordinary shares held	Approximate percentage of total issued shares as at 31 March 2011
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 31 March 2011, none of the directors and chief executive of the Company or their associates had or deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors.

**SUBSTANTIAL SHAREHOLDERS' INTEREST IN SECURITIES**

At 31 March 2011, 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:

<b>Name</b>	<b>Capacity</b>	<i>Note</i>	<b>Number of issued ordinary shares held</b>	<b>Approximate percentage of total issued shares as at 31 March 2011</b>
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 31 March 2011.

**DIRECTORS' INTERESTS IN COMPETING BUSINESS**

At 31 March 2011, 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.

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

Hong Kong, 12 May 2011

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