



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)



2012

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 2011

| | | Three months ended | |
|----------------------------------------------------------------------|--------------|----------------------------|--------------------|
| | | 30th September | |
| | | 2011 | 2010 |
| | <i>Notes</i> | RMB'000 | <i>RMB'000</i> |
| Turnover | 3 | 6,533 | 2,229 |
| Cost of sales | | <u>(6,423)</u> | <u>(2,184)</u> |
| Gross profit | | 110 | 45 |
| Other income | | — | 2 |
| Gain on debt restructuring | 4 | — | 89,651 |
| Distribution costs | | (483) | — |
| Administrative expenses | | <u>(1,415)</u> | <u>(803)</u> |
| (Loss)/profit before taxation | | (1,788) | 88,895 |
| Taxation | | <u>—</u> | <u>—</u> |
| (Loss)/profit for the period | | (1,788) | 88,895 |
| Other comprehensive expenses | | | |
| Exchange difference arising from translation of financial statements | | <u>(222)</u> | <u>(357)</u> |
| Total comprehensive (expenses)/income for the period | | <u>(2,010)</u> | <u>88,538</u> |
| Attributable to: | | | |
| Equity holders of the Company | | <u>(2,010)</u> | <u>88,538</u> |
| | | | (Restated) |
| Loss/(earnings) per share | | | |
| Basic | 6 | <u>(1.02 cents)</u> | <u>71.05 cents</u> |

Notes:

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 30 September 2011 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 (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements 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, as modified by financial assets designated as at fair value through profit or loss, which are carried at fair value.

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 2011.

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.

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

The Company’s functional currency is Renminbi. 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. 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 30th September | |
|-----------------------------------------|----------------------------------------------|----------------|
| | 2011 | 2010 |
| | RMB’000 | RMB’000 |
| Turnover | | |
| Provision of energy saving services and | | |
| sales of energy saving products | 6,533 | 2,229 |

4. GAIN ON DEBT RESTRUCTURING

| | Three months ended | |
|----------------------|---------------------------|----------------|
| | 30th September | |
| | 2011 | 2010 |
| | RMB'000 | RMB'000 |
| Gain on debts waived | — | 101,074 |
| Restructuring cost | — | (11,423) |
| | <hr/> | <hr/> |
| | — | 89,651 |
| | <hr/> <hr/> | <hr/> <hr/> |

(Restated)

5. TAXATION**(i) Overseas income tax**

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda. Those 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. One of the Company's subsidiaries established in the Republic of Seychelles is exempted from payment of the Republic of Seychelles income tax.

(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 2011 and 2010 respectively.

(iii) PRC enterprise income tax

No provision for PRC enterprise income tax has been made as the subsidiaries have no assessable profits for the three months ended 30 September 2011 and 2010 respectively.

6. (LOSS)/EARNINGS PER SHARE

The calculation of loss per share is based on the loss attributable to equity holders of the Company for the three months 30 September 2011 of approximately RMB1,788,000 (30 September 2010: earning of approximately RMB88,895,000) by the weighted average number of 176,000,000 (30 September 2010: 125,113,000) ordinary shares in issue during the period

No adjustment has been made to the basic earnings per share amount presented for the three months ended 30 September 2011 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amount presented.

The diluted earnings per share for the three months ended 30 September 2010 is the same as the basic earnings per share as the potential ordinary shares are anti-dilutive.

7. RESERVES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 September 2011

| | Share capital RMB '000 | Share premium RMB '000 | Share option reserve RMB '000 | Translation reserve RMB '000 | Accumulated losses RMB '000 | Total RMB '000 |
|------------------------------------------------|------------------------------|------------------------------|----------------------------------------|------------------------------------|-----------------------------------|-------------------|
| At 1 July 2010 | 46,640 | 51,006 | — | 7,719 | (200,654) | (95,289) |
| Capital reduction | (46,174) | — | — | — | 46,174 | — |
| Issue of 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>—</u> | <u>7,362</u> | <u>(65,585)</u> | <u>35,633</u> |
| At 1 July 2011 | 7,774 | 86,082 | 5,074 | 5,913 | (78,269) | 26,574 |
| Total comprehensive expenses for the period | — | — | — | (222) | (1,788) | (2,010) |
| At 30 September 2011 | <u>7,774</u> | <u>86,082</u> | <u>5,074</u> | <u>5,691</u> | <u>(80,057)</u> | <u>24,564</u> |

8. EVENTS AFTER THE REPORTING PERIOD

After the reporting date on 26 October 2011, one of the Company's subsidiaries, Best Creation International Limited entered into a conditional agreement (the "Conditional Agreement") with an individual third party, Hunting Development Limited, to acquire its subsidiary together with 51% of a Zhejiang JV at a consideration of HK\$18,000,000. Completion of the Conditional Agreement is subject to satisfaction of certain conditions on or before 12:00 noon 31 December 2011. Further details of the Conditional Agreement are set out in the Company's announcement dated 3 November 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Financial Review

During the period under review, the Group's turnover was approximately RMB6,533,000 representing an 193.5% increase as compared with the corresponding period in 2010 (30 September 2010: RMB2,226,000).

Distribution costs for the period under review was approximately RMB483,000, which was mainly attributable to salaries, wages and welfare and other expenses in relation to sales and marketing activities. The Company's sales and marketing team was established in second half of the financial year ended 30 June 2011, there was no comparative figure for the three months ended 30 September 2010.

Administrative expenses for the period under review was approximately RMB1,415,000, representing a 76.2% increase as compared with the corresponding period in 2010 (30 September 2010: approximately RMB803,000), which was mainly attributable to increase in staff costs.

The consolidated comprehensive expenses attributable to equity holders of the Company amounted to approximately RMB2,010,000 for the three months ended 30 September, 2011 (30 September 2010: comprehensive income of approximately RMB88,538,000). Comprehensive income in the corresponding period was mainly attributable to the one-off gain on debt restructuring of approximately RMB89,651,000 in July 2010. Save and except for the effect of gain on debt restructuring, the Group incurred a loss of approximately RMB1,113,000 from its operation for the period ended 30 September 2010.

Business Review and Prospects

During the period under review, the Group continued to implement its business strategy in which the result was satisfactory. Armed with the experienced and professional technical team, competitive sales and marketing teams and agency network, turnover for the period under review had increased nearly two folds as compared to the corresponding period.

In response to the concern of environmental protection and energy issue by the PRC government, there are upsurge of the demand in energy efficiency solutions among the participants of industrial companies and infra-structure related companies. As an experienced player and a pioneer in the provision of energy efficiency solutions, we believe that the Group should be benefited from increasing demand in the market.

To support the expansion of energy efficiency business, the Group entered into an agreement to indirectly acquire 51% shareholding of a joint venture company in Shaoxing, Zhejiang province. It is principally engaged in the research, manufacturing and selling and undertaking installation work of high frequency electrodeless lamps. This acquisition enable the Group to secure its supply of high frequency electrodeless lamps which is one of the major applications in green lighting in particular for industrial and infra-structure projects. The Group will continuously look for appropriate integration and expansion opportunities in the coming future.

Looking forward, facing to the keen competitive environment of the energy efficiency solutions business, the Group will continue to delicate its efforts in technology enhancement through the experienced research and development team. The Group will continue to expand its market coverage and business connection with its agency network. The Group is also looking for appropriate investment opportunities in the energy efficiency sector with reasonable earnings.

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 September 2011 (30 September 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 three months ended 30 September 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 30 September 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 | Number of underlying shares held | Total | Approximately percentage of total issued shares as at 30 September 2011 |
|-----------------------------|--------------------|------|---------------------------------------|----------------------------------|--------------------|-------------------------------------------------------------------------|
| Mr. Xu Bo | Corporate | (1) | 127,057,440 | — | 127,057,440 | |
| | Personal | (2) | — | 88,000 | 88,000 | |
| | | | | | <u>127,145,440</u> | <u>72.24%</u> |
| Mr. Wu Chun Wah | Corporate | (1) | 127,057,440 | — | 127,057,440 | |
| | Personal | (2) | — | 88,000 | 88,000 | |
| | | | | | <u>127,145,440</u> | <u>72.24%</u> |
| Mr. Leung Heung Ying | Personal | (3) | — | 176,000 | 176,000 | 0.1% |
| Mr. Cheong Ying Chew, Henry | Personal | (3) | — | 176,000 | 176,000 | 0.1% |
| Dr. Zhao Bin | Personal | (3) | — | 176,000 | 176,000 | 0.1% |

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) The interest disclosed represents the personal interest in 88,000 underlying shares in respect of the 88,000 share options granted by the Company to each of Mr. Xu Bo and Mr. Wu Chun Wah. These share options were granted on 2 Jun 2011 and are exercisable as to 50% during the period from 2 June 2011 to 1 June 2013 and as to 50% during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$3.55 per share.

- (3) The interest disclosed represents the personal interest in 176,000 underlying shares in respect of the 176,000 share options granted by the Company to each of Mr. Cheong Ying Chew, Henry, Mr. Leung Heung Ying and Dr Zhao Bin. These share options were granted on 2 June 2011 and are exercisable as to 50% during the period from 2 June 2011 to 1 June 2013 and as to 50% during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$3.55 per share.
- (4) 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 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 30 September 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:

| Name | Capacity | Note | Number of issued ordinary shares held | Number of underlying shares held | Total | Approximately percentage of total issued shares as at 30 September 2011 |
|---------------------------|--------------------|------|------------------------------------------------|----------------------------------------|-------------|----------------------------------------------------------------------------------------|
| Ms Chen Li | Interest of spouse | (1) | 127,057,440 | 88,000 | 127,145,440 | 72.24% |
| Ms Lee Siu Yee, Brenda | Interest of spouse | (1) | 127,057,440 | 88,000 | 127,145,440 | 72.24% |

Notes:

- (1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 127,057,440 shares and 88,000 underlying 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 and 88,000 underlying 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, as at 30 September 2011, so far as was known to Directors based on the information available, no person, other than the Directors and chief executive of the Company whose interest have been set out in the section headed "DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES" above, had registered an interest and a short position in the shares or underlying shares of the Company as recorded in the register of the Company required to be kept pursuant to section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 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.

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

Xu Bo
Chairman

Hong Kong, 14 November 2011