



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)



FIRST QUARTERLY REPORT **2013**

## 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 30 September 2012 together with the comparative unaudited consolidated figures for the corresponding periods in 2011, as set out below:

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

FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012

		<b>Three months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2012</b>	<b>2011</b>
		<b>RMB'000</b>	<b>RMB'000</b>
<b>Turnover</b>	3	<b>1,210</b>	6,533
Cost of sales		<u>(988)</u>	<u>(6,423)</u>
<b>Gross profit</b>		<b>222</b>	110
Other income		2	—
Distribution costs		<b>(551)</b>	(483)
Administrative expenses		<u>(1,602)</u>	<u>(1,415)</u>
<b>Loss for the period</b>		<b>(1,929)</b>	(1,788)
Other comprehensive expenses			
Exchange difference arising from translation of financial statements of operations outside Mainland China		<u>8</u>	<u>(222)</u>
<b>Total comprehensive expenses for the period</b>		<u><b>(1,921)</b></u>	<u>(2,010)</u>
<b>Loss for the period attributable to:</b>			
— Equity shareholders of the Company		<b>(1,719)</b>	(1,788)
— Non-controlling interests		<u>(210)</u>	<u>—</u>
		<u><b>(1,929)</b></u>	<u>(1,788)</u>
<b>Total comprehensive expenses for the period attributable to:</b>			
— Equity shareholders of the Company		<b>(1,711)</b>	(2,010)
— Non-controlling interests		<u>(210)</u>	<u>—</u>
		<u><b>(1,921)</b></u>	<u>(2,010)</u>
<b>Loss per share</b>			
Basic	5	<u><b>(0.94 cents)</b></u>	<u>(1.02 cents)</u>

Notes:

## 1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 30 September 2012 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which also include 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 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, 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 2012.

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”). Its ultimate holding company is Million Sino Investments Limited, which is incorporated in the British Virgin Islands.

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 30 September	
	2012	2011
	RMB’000	RMB’000
<b>Turnover</b>		
Provision of energy saving services and sales of energy saving products	<u>1,210</u>	<u>6,533</u>

## 4. 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 2012 and 2011 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 2012 and 2011 respectively.

## 5. LOSS 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 2012 of approximately RMB1,719,000 (30 September 2011: approximately RMB1,788,000) by the weighted average number of 183,404,000 (30 September 2010: 176,000,000) 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 2012 and 2011 respectively 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.

## 6. RESERVES

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

For the three months ended 30 September 2012

	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non- Controlling interests RMB'000	Total equity RMB'000
At 1 July 2011	7,774	86,082	5,074	5,913	(78,269)	26,574	—	26,574
Total comprehensive expenses for the period	—	—	—	(222)	(1,788)	(2,010)	—	(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>	<u>—</u>	<u>24,564</u>
At 1 July 2012	8,076	102,525	9,369	5,712	(92,500)	33,182	2,353	35,535
Total comprehensive expenses for the period	—	—	—	8	(1,719)	(1,711)	(210)	(1,921)
At 30 September 2012	<u>8,076</u>	<u>102,525</u>	<u>9,369</u>	<u>5,720</u>	<u>(94,219)</u>	<u>31,471</u>	<u>2,143</u>	<u>33,614</u>

## 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

For the three months ended 30 September 2012, the Group's turnover was approximately RMB1,210,000, representing a decrease of 81.5% as compared to the same period in the previous year (30 September 2011: approximately RMB6,533,000). Compared with the correspondent period ended 30 September 2011, gross profit of first quarter of 2012 improved sharply from approximately RMB110,000 to RMB222,000. Gross profit margin of the Group was improved from 1.7% for the three months ended 30 September 2011 to 18.3% for this quarter. With no change of the Group's core business of provision of energy efficiency solutions in greater China market, such changes in turnover and gross profit margin were mainly attributable to the Group's predominant focus on pursuing high value added products and services.

Distribution costs for the three months ended 30 September 2012 was approximately RMB551,000, representing an 14.1% increase as compared to the same period in the previous year (30 September 2011: approximately RMB483,000). Increase in distribution costs for the three months ended 30 September 2012 was mainly the result of increase in staff costs.

Administrative expenses for this quarter was approximately RMB1,602,000, representing a 13.2% increase as compared to the same period in the previous year (30 September 2011: approximately RMB1,415,000). Increase in administrative expenses was mainly attributable to the inclusion of respective expenses of approximately RMB431,000 incurred by the newly acquired subsidiary in Shaoxing, Zhejiang in May 2012.

On the whole, the Group recorded a net loss of approximately RMB1,921,000 for the three months ended 30 September 2012, representing an 7.4% increase as compared to the same period in the previous year (30 September 2011: approximately RMB1,788,000).

### Business Review and Prospects

Facing the keen competition of energy efficiency business in China, the Group devoted great efforts in development of good quality customers and projects with reasonable return. It can be evidenced from the significant improvement in gross profit margin for the three months ended 30 September 2012. The Group will continue to explore good customers required high quality services and products as well as maintaining good business relationship with existing and potential customers through our competitive sales and marketing teams and agency network.



After completion of the acquisition of Zhejiang Spring Photoelectric Technology Co., Ltd, the Group's capacity of energy efficiency solutions services was strengthened. The acquisition enhanced the Group's competitive edge through the benefits of secured sources and reliable quality in lighting products which is one of major aspects in integrated energy efficient solutions services offered by the Group. Besides, the Group was able to master the energy efficient solution from design, manufacturing, consultation, installation to implementation to its existing and potential customers..

The Group has continuously dedicated its effort in research and development to upgrade its technology and products development in order to maintain the pioneer position in the energy efficient solutions industry. Starting from the second half of financial year ended 30 June 2012, the Group has been developing an energy efficient management and monitoring platform which was mainly applied in industrial, hotels and commercial and residential building management areas. The Group is one of the pioneers in development of the energy managing platform in response to the latest government policy in rising concern of energy efficiency in China. The platform was carried out a pilot test under the cooperation with a property management company in China with encouraging results in the fourth quarter of the financial year ended 30 June 2012. The Group expected the energy efficient management and monitoring platform could be ready to enter the market in the next few months.

Looking forward to the coming quarters, the Group will continue to expand its market coverage in the energy efficiency business by serving more quality customers through developing cooperation with agents in different PRC cities. The Group is also looking for appropriate investment opportunities in the energy efficiency sector with reasonable earnings.

## **CAPITAL STRUCTURE**

As at 30 September 2012, the Company's total number of issued shares was 183,404,000 shares of HK\$0.05 each (30 September 2011: 176,000,000 shares of HK\$0.05 each).

## **DIVIDENDS**

The directors do not recommend the payment of any dividend for the period ended 30 September 2012 (30 September 2011: 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 2012 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 2012, 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 2012
Mr. Xu Bo	Corporate	(1)	127,057,440	—	127,057,440	
	Personal	(2)	—	88,000	88,000	
					<u>127,145,440</u>	<u>69.33%</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>69.33%</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 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.
- (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 2012, 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 2012, 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 2012
Ms Chen Li	Interest of spouse	(1)	<u>127,057,440</u>	<u>88,000</u>	<u>127,145,440</u>	<u>69.33%</u>
Ms Lee Siu Yee, Brenda	Interest of spouse	(2)	<u>127,057,440</u>	<u>88,000</u>	<u>127,145,440</u>	<u>69.33%</u>

*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 2012, 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 2012, 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**

The Company has applied the principles and complied with the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 15 of the GEM Listing Rules throughout the three months ended 30 September 2012, except for the following deviation:

The Code provision A4.1 provides that Non-executive Directors should be appointed for specific term, subject to re-election. The Company has deviated from the provision in that all independent non-executive Directors are not appointed for specific term but are subject to retirement by rotation and re-election in accordance with the provisions of the Bye-law of the Company. The reason for the deviation is that the Company does not believe that arbitrary limits on term of non-executive directorship are appropriate given that Directors ought to be committed to representing the long time interest of the Company's shareholders and the retirement and re-election requirements of independent non-executive Directors have given the Company's shareholders the right to approve continuation of independent non-executive Directors' offices.

## **ADOPTED CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings (“Standard Dealings”) set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and all the Directors confirmed that they have complied with the Standard Dealings during the three months ended 30 September 2012.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the three months ended 30 September 2012.

By order of the Board  
**Xu Bo**  
*Chairman*

Hong Kong, 14 November 2012