



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2014

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, 2013 together with the comparative unaudited consolidated figures for the corresponding periods in 2012, as set out below:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 2013

	Notes	Three months ended 30th September	
		2013 RMB'000	2012 RMB'000
Turnover	3	1,298	1,210
Cost of sales/services rendered		<u>(1,196)</u>	<u>(988)</u>
Gross profit		102	222
Other income		2	2
2 Distribution costs		(192)	(551)
Administrative expenses		<u>(2,274)</u>	<u>(1,602)</u>
Loss before taxation		(2,362)	(1,929)
Taxation		<u>(1)</u>	—
Loss for the period		(2,363)	(1,929)
Other comprehensive expenses			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising from translation of financial statements of operations outside Mainland China		28	8
Total comprehensive expenses for the period		<u>(2,335)</u>	<u>(1,921)</u>
Loss for the period attributable to:			
— Equity shareholders of the Company		(2,159)	(1,719)
— Non-controlling interests		(204)	(210)
		<u>(2,363)</u>	<u>(1,929)</u>
Total comprehensive expenses for the period attributable to:			
— Equity shareholders of the Company		(2,131)	(1,711)
— Non-controlling interests		(204)	(210)
		<u>(2,335)</u>	<u>(1,921)</u>
Loss per share			(Restated)
Basic	5	<u>(0.12 cents)</u>	<u>(0.09 cents)</u>

1. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements for the three months ended 30 September 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 2013.

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 Hong Kong dollars. 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	
	2013	2012
	RMB'000	RMB'000
Turnover		
Provision of energy saving services and sales of energy saving products	1,298	1,210

4. 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. 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 2013 and 2012 respectively.

(iii) PRC enterprise income tax

Taxation for PRC subsidiaries is charged at the appropriate current rates of taxation ruling in the PRC (2012: Nil).

5. LOSS PER SHARE

The calculation of loss per share is based on the loss attributable to equity shareholders of the Company for the three months 30 September 2013 of approximately RMB2,159,000 (30 September 2012: approximately RMB1,719,000) by the weighted average number of 1,862,579,000 (30 September 2012: 1,834,040,000*) 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 2013 and 2012 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.

* *The number of ordinary shares has been adjusted as a result of the one-to-tenth share subdivision effective on 23 April 2013.*

6. RESERVES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 30 September 2013

	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 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>
At 1 July 2013	8,076	102,525	4,689	5,546	(94,631)	26,205	3,876	30,081
Total comprehensive expenses for the period	261	21,242	(252)	28	(2,159)	19,120	(204)	18,916
At 30 September 2013	<u>8,337</u>	<u>123,767</u>	<u>4,437</u>	<u>5,574</u>	<u>(96,790)</u>	<u>45,325</u>	<u>3,672</u>	<u>48,997</u>

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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 2013, the Group's turnover was approximately RMB1,298,000, representing an increase of 7.3% as compared to the same period in the previous year (30 September 2012: approximately RMB1,210,000). Gross profit for the period was approximately RMB102,000 (30 September 2012: approximately RMB222,000).

Distribution costs for the three months ended 30 September 2013 was approximately RMB192,000, representing a decrease of 65.2% as compared to the same period in the previous year (30 September 2012: approximately RMB551,000), which was mainly attributable to decrease in travelling expenses and entertainment.

Administrative expenses for this quarter was approximately RMB2,274,000 (30 September 2012: RMB1,602,000). The major transaction – acquisition of Luck Shamrock Limited was completed in August 2013, the related legal and professional fee approximately RMB350,000 was recognized in the current period. Save and except for the effect of those charges, administrative expenses for the period ended 30 September 2013 has increased 20.1% as compared to the same period in the previous year.

The Group recorded a net loss of approximately RMB2,363,000 for the three months ended 30 September 2013, representing an 22.5% increase as compared to the same period in the previous year (30 September 2012: approximately RMB1,929,000).

Business Review and Prospects

To support the expansion of the Group business, the Group entered into a sales and purchase agreement with an independent third party on 3 May 2013 to acquire 100% holding interest of Luck Shamrock Limited together with its subsidiary company in Xuzhou, Jiangsu (collectively "Luck Shamrock's Group") at a total consideration of HK\$18,600,000.00, satisfied by the issue of a total of 62,000,000 consideration shares at the issue price of HK\$0.30 per consideration share. Luck Shamrock's Group was principally engaged in the provision of energy saving and energy efficiency services in PRC. The acquisition was completed on 22 August 2013.

Following the completion of the acquisition of Luck Shamrock's Group in August 2013, the Group's capacity of energy efficiency solutions services was strengthened. The acquisition enhanced the Group's competitive edge through the extensive sales and marketing network of Luck Shamrock's Group, particularly in northeastern region of PRC, Together with the support of production facilities in Shaoxing's subsidiary company, 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. 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 2013, the Company's total number of issued shares was 1,899,680,000 shares of HK\$0.005 each (30 September 2012: 1,834,040,000 shares of HK\$0.005 each*).

* *By an ordinary resolution passed in the Special General Meeting on 22 April 2013, a share subdivision of every one issued and unissued ordinary share of a par value of HK\$0.05 each in the share capital of the Company into ten subdivided shares of a par value of HK\$0.005 each is approved.*

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DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 September 2013 (30 September 2012: 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 2013 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 2013, 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 2013
8 Mr. Xu Bo	Corporate	(1)	1,270,574,400	—	1,270,574,400	
	Personal	(2)	—	440,000	440,000	
					<u>1,271,014,400</u>	<u>66.91%</u>
Mr. Wu Chun Wah	Corporate	(1)	1,270,574,400	—	1,270,574,400	
	Personal	(3)	440,000	—	440,000	
					<u>1,271,014,400</u>	<u>66.91%</u>
Mr. Leung Heung Ying	Personal	(4)	—	880,000	880,000	0.05%
Mr. Cheong Ying Chew, Henry	Personal	(4)	—	880,000	880,000	0.05%
Dr. Zhao Bin	Personal	(4)	—	880,000	880,000	0.05%

Notes:

- (1) The interest disclosed represents the corporate interest in 1,270,574,400 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 440,000 underlying shares in respect of the 440,000 share options granted by the Company to Mr. Xu Bo. These share options were granted on 2 Jun 2011 and are exercisable as during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$0.355 per share.
- (3) The interest disclosed represents the personal interest in 440,000 shares held by Mr. Wu Chun Wah.
- (4) The interest disclosed represents the personal interest in 880,000 underlying shares in respect of the 880,000 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 during the period from 2 June 2012 to 1 June 2014, all at an exercise price of HK\$0.355 per share.
- (5) 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 2013, 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 2013, 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 2013
Ms Chen Li	Interest of spouse	(1)	<u>1,270,574,400</u>	<u>440,000</u>	<u>1,271,014,400</u>	<u>66.91%</u>
Ms Lee Siu Yee, Brenda	Interest of spouse	(2)	<u>1,271,014,400</u>	<u>—</u>	<u>1,271,014,400</u>	<u>66.91%</u>

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- (1) Ms Chen Li, the spouse of Mr. Xu Bo, is also deemed to be interested in such 1,270,574,400 shares and 440,000 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 1,271,014,400 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 2013, 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 2013, 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 Board of Directors (“Board”) and the management of the Company are committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders’ value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. The Company has applied the principles and complied with all code provisions of the Code on Corporate Governance Practices (“Code on CG Practices”) as set out in Appendix 15 to the Rules (“GEM Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

The Company is in compliance with the CG Code contained in Appendix 15 of the GEM Listing Rules and the Code Provisions save for the deviation as explained below:

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. They are, however, subject to retirement by rotation and re-election. 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 the 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.

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The Code provision A6.7 provides that non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Dr. Zhao Bin, Independent Non-executive Directors of the Company, did not attend the annual general meeting of the Company held on Wednesday, 13 November 2013 (“2013 AGM”) due to his engagement in his own official business.

The Code Provision E1.2 provides that the chairman of the board should attend the annual general meeting. He should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Xu Bo, the chairman of the Board, did not attend the 2013 AGM because he was in business trip for the engagement in the Group’s business. Dr. Zhao, the chairman of the nomination committee of the Company did not attend the 2013 AGM due to the reason stated above.

Save as the aforesaid and in the opinion of the Directors, the Company has met all relevant code provisions set out in the CG code during the period ended 30 September 2013.

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 2013.

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 2013.

By order of the Board
Xu Bo
Chairman

Hong Kong, 14 November 2013