



Creative Energy Solutions Holdings Limited

科瑞控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 8109)

2016

First Quarterly Report



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

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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 of the Stock Exchange 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 (the “Group”) for the three months ended 30 September, 2015 together with the comparative unaudited consolidated figures for the corresponding period in 2014, as set out below:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 SEPTEMBER, 2015

| | Notes | Three months ended 30 September | |
|--|-------|------------------------------------|-----------------|
| | | 2015 RMB'000 | 2014 RMB'000 |
| Revenue | 3 | 727 | 8,107 |
| Cost of sales | | (633) | (7,838) |
| Other income | | 31 | 1 |
| Loss on disposal of subsidiaries | | (556) | — |
| Distribution costs | | (194) | (156) |
| Administrative expenses | | (4,645) | (1,574) |
| Finance costs | | (1,314) | — |
| Loss before taxation | | (6,584) | (1,460) |
| Taxation | 4 | — | — |
| Loss for the period | | (6,584) | (1,460) |
| Other comprehensive expense | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising from translation of financial statements of foreign operations | | 1,194 | (20) |
| Exchange reserve released upon disposal of subsidiaries | | 2 | — |
| Total comprehensive expenses for the period | | (5,388) | (1,480) |
| Loss for the period attributable to: | | | |
| — Equity shareholders of the Company | | (6,246) | (1,341) |
| — Non-controlling interests | | (338) | (119) |
| | | (6,584) | (1,460) |
| Total comprehensive expenses for the period attributable to: | | | |
| — Equity shareholders of the Company | | (5,050) | (1,361) |
| — Non-controlling interests | | (338) | (119) |
| | | (5,388) | (1,480) |
| | | | (Restated) |
| Loss per share | | | |
| Basic and diluted | 5 | (0.18 cents) | (0.05 cents) |



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

The consolidated financial statements are presented in Renminbi (“RMB”), as the currency of the primary economic environment in which the principal subsidiaries of the Company operate is in the People’s Republic of China (the “PRC”), while the functional currency of the Company is Hong Kong dollar. All values are rounded to the nearest thousand except when otherwise indicated.

2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the three months ended 30 September 2015 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 (the “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 GEM Listing Rules. The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

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 2015.

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

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. TURNOVER AND SEGMENT INFORMATION

Information reported to the board of directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group is principally engaged in provision of energy saving services and related products and provision of insurance brokerage services. Specifically, the Group’s reportable and operating segments are as follows:

- (a) Provision of energy saving services and related products, and
- (b) Provision of insurance brokerage services.

The insurance brokerage services segment is introduced during the three months ended 30 September 2015 through the acquisition of Kirin Financial Group Limited and its subsidiaries.

An analysis of the Group's revenue is as follows:

| | For the three months ended 30 September | |
|---|--|-------------|
| | 2015 | 2014 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Sales of energy savings services and related products | 406 | 8,107 |
| Insurance brokerage services income | 321 | — |
| | 727 | 8,107 |

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 2015 (2014: nil).

(iii) PRC enterprise income tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

(iv) Deferred Tax

The Group did not have any significant unprovided deferred taxation as at 30 September 2015 and 2014.

5. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to the equity shareholders of the Company for the three months ended 30 September 2015 of approximately RMB6,246,000 (2014: RMB1,341,000) and the weighted average number of 3,405,148,043 (2014: 2,853,735,000 (restated)) ordinary shares in issue during the period.

The comparative amount of the basic loss per share for 2014 has been adjusted to reflect the impact of the bonus issue of shares subsequent to 30 September 2015 as set out in the announcements and circular of the Company dated 21 August 2015, 4 September 2015 and 7 September 2015.

The diluted loss per share is equal to the basic loss per share as there were no dilutive potential ordinary shares outstanding during the three months ended 30 September 2015 (2014: nil).

6. RESERVES

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2015

| | Attributable to equity shareholders of the Company | | | | | Non-controlling interests | Total equity |
|--|--|----------------|---------------------|--------------------|---------------|---------------------------|---------------|
| | Share capital | Share premium | Translation reserve | Accumulated losses | Total | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 July 2014 | 8,348 | 124,756 | 5,382 | (110,325) | 28,161 | 3,171 | 31,332 |
| Loss for the period | — | — | — | (1,341) | (1,341) | (119) | (1,460) |
| Exchange difference arising from translation of financial statements of foreign operations | — | — | (20) | — | (20) | — | (20) |
| Total comprehensive expenses for the period | — | — | (20) | (1,341) | (1,361) | (119) | (1,480) |
| At 30 September 2014 | <u>8,348</u> | <u>124,756</u> | <u>5,362</u> | <u>(111,666)</u> | <u>26,800</u> | <u>3,052</u> | <u>29,852</u> |
| At 1 July 2015 | 9,108 | 147,696 | 5,668 | (125,949) | 36,523 | 1,189 | 37,712 |
| Loss for the period | — | — | — | (6,246) | (6,246) | (338) | (6,584) |
| Exchange reserve released upon disposal of subsidiaries | — | — | 2 | — | 2 | — | 2 |
| Exchange difference arising from translation of financial statements of foreign operations | — | — | 1,194 | — | 1,194 | — | 1,194 |
| Total comprehensive expenses for the period | — | — | 1,196 | (6,246) | (5,050) | (338) | (5,388) |
| Issue of shares, net of expenses | 760 | 24,059 | — | — | 24,819 | — | 24,819 |
| Acquisition of subsidiaries | — | — | — | — | — | (269) | (269) |
| Disposal of subsidiaries | — | — | — | — | — | (1,073) | (1,073) |
| At 30 September 2015 | <u>9,868</u> | <u>171,755</u> | <u>6,864</u> | <u>(132,195)</u> | <u>56,292</u> | <u>(491)</u> | <u>55,801</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 on efficiency solutions services and related products in the People's Republic of China ("PRC"). The Group also commenced in provision of insurance brokerage services through its subsidiaries, Kirin Financial Group, since 25 August 2015.

Financial Review

For the three months ended 30 September 2015, the Group's turnover was approximately RMB727,000, which was represented an decrease of approximately 91% as compared to the same period in the previous year (30 September 2014: RMB8,107,000).

The decrease was mainly due to (i) the slowdown of the domestic economic growth, the industry has been hit by the decrease in the product demand. The market conditions of this industry have not improved during the year; and (ii) a significant sale of approximately RMB7,607,000 was recorded in the first quarter of 2014 from a non-recurring customer. Facing with the adverse factors, the Group is re-considering the market situation and will continue to adopt appropriate business plans in order to source out other business opportunities.

Given the poor operation environment, our subsidiaries located in Xuzhou and Shaoxing need more time to develop new clients and explore new business opportunities and need further investments from the Company for them to obtain the accreditation for safety tests and expand their overseas market. In view of the current financial conditions of the Group, the Company disposed these two subsidiaries on 23 September 2015 and 22 September 2015 respectively so as to focus its financial resources in other businesses of the Group.

Distribution costs for the three months ended 30 September 2015 was approximately RMB194,000, representing an increase of 24% as compared to the same period in the previous year (30 September 2014: RMB156,000), which was mainly due to additional selling and distribution expenses incurred for the business of insurance brokerage services.

Administrative expenses for the three months ended 30 September 2015 was approximately RMB4,645,000 (30 September 2014: RMB1,574,000), representing an increase of 195% as compared to the corresponding period in 2014, which was mainly due to increase in legal and professional fee related to certain business acquisitions and disposals of the subsidiaries, computer expenses, salaries, operating lease rental of premises, travelling and entertainment expenses.

The finance costs represented interest on corporate bonds.

The Group recorded a net loss of approximately RMB6,584,000 for the three months ended 30 September 2015, representing an increase of 350% as compared to the same period in the previous year (30 September 2014: RMB1,460,000).

Business Review and Prospects

The Group is facing fierce competition in the energy savings industry and has made substantial loss from operations every year since 2005. The significant decrease in demand of energy efficient and savings services triggered the cut-throat competition in the energy efficiency market. Some energy saving solution providers in the energy savings industry even accept energy management contracts at losses with prolonged return periods.

The Group is taking positive steps to restructure the Group's business operations. Loss making operations will be scaled down or even be shut down. Existing business with good prospects will be restructured and expanded. New operations with reasonable earnings will be acquired in order to maximize the returns to the shareholders of the Company in line with the Company's corporate strategy.

Looking forward, the Group will continue to look for appropriate investment opportunities with reasonable and potential returns to enhance the Group's future development opportunity. Besides, the Company may carry out fund raising activities including but not limited to placing of new shares and issue corporate bonds.

CAPITAL STRUCTURE

As at 30 September 2015, the Company's total number of issued shares was 2,282,490,000 shares of HK\$0.005 each (30 September 2014: 1,902,490,000 shares of HK\$0.005 each).

DIVIDENDS

The directors do not recommend the payment of any dividend for the period ended 30 September 2015 (30 September 2014: Nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") pursuant to a resolution passed by the shareholders on 5 November 2010. Under the Scheme, the board of directors may grant share options to the eligible persons to subscribe for such number of shares during such period of time as the board of directors may determine.

As at 30 September 2015, none of the board of directors, employees and other eligible persons of the Company on its subsidiaries were granted options to subscribe for the shares of the Company.

MAJOR EVENTS DURING THE PERIOD

Capital Raising

On 22 June 2015, the Company entered into a placing agreement with a placing agent whereby the Company agreed to place, through the placing agent, on a best effort basis, up to an aggregate of 190,000,000 new shares to not less than six places at a price of HK\$0.165 per placing share, which represented approximately 9.08% of the aggregated number of the issued ordinary shares of the Company as at 30 June 2015; and approximately 8.32% of the aggregated number of the issued ordinary shares of the Company as enlarged by the issue of the 190,000,000 placing shares. The placement had been completed on 6 July 2015 and a total of 190,000,000 new shares were issued providing the aggregate net proceeds of approximately RMB24,822,000 (equivalent to HK\$31,040,000) to the Company. Details are set out in the announcements dated 22 June 2015 and 6 July 2015.

Major Acquisitions and Disposals

On 8 April 2015 and 12 June 2015, the Company entered into a sale and purchase agreement and a supplemental agreement respectively with two independent third parties. Pursuant to the sale and purchase agreement and the supplemental agreement, the Company agreed to acquire 51% equity interest of Red Rabbit Technology Inc. at the consideration of HK\$25,000,000. The transaction was completed on 24 September 2015. Upon Completion, the Company has issued a promissory note to the vendors as part of the consideration for the acquisition and paid the balance of the consideration by way of cash. Details are set out in the announcements of the Company dated 8 April 2015, 12 June 2015, 23 June 2015 and 24 September 2015.

On 22 July 2015, Treasure Explorer Investments Limited, a wholly owned subsidiary of the Company was incorporated and entered into a sale and purchase agreement with an independent third party, to acquire the entire issued share capital of Super Hero Production Company Limited at a consideration of RMB240,000 (equivalent to HK\$300,000). The acquisition was completed on 22 July 2015. Details are set out in the announcements dated 24 July 2015.

On 24 August 2015, the Company entered into the sale and purchase agreement with an independent third party pursuant to which the Company agreed to acquire the entire issued share capital of Kirin Financial Group Limited, at the consideration of HK\$10,700,000. Completion of this transaction took place on 24 August 2015. Details are set out in the announcement of the Company dated 24 August 2015.

On 11 September 2015, the Group entered into the disposal agreement with an independent third party to dispose the entire equity interest in Luck Shamrock Limited, at a consideration of RMB14,380,000. The aforesaid disposal was completed on 23 September 2015. Details are set out in the announcements of the Company dated 11 September 2015 and 23 September 2015.

On 17 September 2015, the Group entered into the disposal agreement with an independent third party to dispose the entire equity interest in Sincere Action Investments Limited, at a consideration of RMB6,600,000. The aforesaid disposal was completed on 22 September 2015. Details are set out in the announcements of the Company dated 17 September 2015 and 22 September 2015.

Change in Capital Structure

On 21 August 2015, the board of directors proposed a bonus issue of shares on the basis of one bonus share for every two existing shares held by the qualifying shareholders of the Company. The proposal was approved at the extraordinary general meeting on 24 September 2015.

EVENTS AFTER THE REPORTING PERIOD

On 16 October 2015, the Company issued 1,141,245,000 bonus shares pursuant to a bonus issue of shares on the basis of one bonus share for every two existing shares held by the qualifying shareholders of the Company.

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 2015 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.

OTHER INFORMATION

Directors’ and chief executives’ interests or short positions in the shares, underlying shares or debentures of the company or any associated corporations

As at 30 September 2015, none of the directors or chief executives of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (SFO)), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

Directors' and chief executives' rights to acquire shares or debt securities

As at 30 September 2015, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including debentures, of the Company or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right.

Substantial Shareholders

As at 30 September 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

| Name | Capacity/Nature of interest | No. of shares (Note 1) | Approximate percentage of interest |
|--|--------------------------------------|---------------------------|------------------------------------|
| Million Sino Investments Limited (Note 2) | Beneficial owner | 413,464,400 (L) | 18.11% |
| Button Hill Limited (Note 2) | Interest in a controlled corporation | 413,464,400 (L) | 18.11% |
| Mr. Xu Bo (Note 2) | Interest in a controlled corporation | 413,464,400 (L) | 18.11% |
| Asia Pacific Forest Company Limited (Note 2) | Interest in a controlled corporation | 413,464,400 (L) | 18.11% |
| Mr. Hui Chi Kwan (Note 2) | Interest in a controlled corporation | 413,464,400 (L) | 18.11% |

Notes:

1. The Letter "L" – denotes a long position in shares.
2. The interest disclosed represents the corporate interest in 413,464,400 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 Button Hill Limited. Button Hill Limited is wholly owned by Asia Pacific Forest Company Limited. Asia Pacific Forest Company Limited is wholly owned by Mr. Hui Chi Kwan.

Save as disclosed above, the Company has not been notified of any other interests or short positions in the issued share capital of the Company at 30 September 2015.



DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2015, none of the directors 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 CORPORATE GOVERNANCE CODE

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 Corporate Governance Code (“CG Code”) 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.

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 2015.

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 2015.

By order of the Board
Chow Yik
Chairman

Hong Kong, 10 November 2015