

**CREATIVE ENERGY SOLUTIONS LTD :  
WILL MANAGEMENT BE ABLE TO SUSTAIN PROFITABILITY ?**

Unless TARGET has badly misread the Placing Prospectus of Creative Energy Solutions Holdings Ltd (Code: 8109, The Growth Enterprise Market of The Stock Exchange of Hongkong Ltd), as at the date of the Prospectus – January 24, 2002 – the Company only had a couple of contracts, left to fulfill.

This Company is engaged ‘*in the design, management and implementation of EMS (Energy Management Systems, a special-purpose, computerised control system, programmed to operate building lighting and central air-conditioning equipment, such as chillers, fans, boilers, pumps, dampers, valves and motors – Glossary of Terms, contained at Page 17) solutions which include the provision of consultancy services for a variety of central air-conditioning retrofit projects including commercial buildings and public district heating systems in the PRC (the People’s Republic of China) ...*’. (Page One of the Prospectus)

With regard to the Company’s business activities over the past 26 months, Page 90 makes the following statement:

*‘Traving Science (Fujian Traving Science and Technology of Saving Development Company Ltd, a wholly owned subsidiary) was incorporated on 19<sup>th</sup> May, 1999 ... During the period ended 30<sup>th</sup> June, 2000, Traving Science entered into eleven contracts, during which ten contracts were completed. The turnover of the Group of approximately HK\$4,225,000 for the period ended 30<sup>th</sup> June, 2000 was for these ten completed contracts fully recognised.*

*‘For the year ended 30<sup>th</sup> June, 2001, Traving Science started to perform and completed the remaining project carried forward from 30<sup>th</sup> June, 2000. In addition, the Group entered into fifty-nine contracts, fifty-seven of which were completed prior to 30<sup>th</sup> June, 2001 ... The Group recorded a turnover of approximately HK\$30,093,000 for the year ended 30<sup>th</sup> June, 2001 ...’.*

Ergo: As at the date of the Prospectus, Creative Energy Solutions had just 2 contracts on hand, both of which had been carried forward from the 2001 Financial Year, ended June 30, 2001.

If that TARGET conclusion is in error, then one may ponder as to the reason that the Prospectus was not updated with regard to its contracts/projects on hand, just before going to print.

That matter aside, it is clear that the Company’s business took off in the 2001 Financial Year, as the following table, lifted from Page 109, illustrates:

	<b>Period:</b> April 20, 1999 to June 30, 2000	<b>Period:</b> Financial Year ended June 30, 2001
	All Figures are Denominated in \$HK’000 (unless otherwise stated)	
Turnover	4,225	30,093
Cost of Sales	(520)	(7,488)
Gross Profit	3,705	22,605
Other Revenue	1	159
Distribution Costs	(615)	(1,980)
Administrative Expenses	(2,587)	(4,810)

Profit from Operations	504	15,974
Financing Costs	(29)	(182)
Profit before Taxation	475	15,792
Taxation	Nil	Nil
Profit Attributable to Shareholders	475	15,792
<b>Net Profit Margin</b>	<b>11.24 percent</b>	<b>52.48 percent</b>

For the 5 months, ended November 30, 2001, the Company appears to have logged in a Net Profit Attributable to Shareholders of about \$HK14.28 million.

This piece of information is contained at Page 94 of the Prospectus, under the heading, ‘Adjusted Net Tangible Assets’:

Audited Combined Net Assets at as June 30, 2001	\$HK26,606,000
<i>Less: Intangible Assets</i>	<u>\$HK12,406,000</u>
Combined Net Tangible Assets as at June 30, 2001	\$HK14,200,000
Unaudited Profit after Taxation for the 5 Months to November 30, 2001	\$HK14,282,000
Estimated Net Proceeds of the Issued of the 100 Placing Shares	\$HK76,000,000
Adjusted Net Tangible Assets	\$HK104,482,000
Adjusted Net Tangible Asset Value Per Share*	26 cents

\*400 million shares in issue

One cannot be certain, of course, but it would appear, on studying the Prospectus, that the income for the 5 months to November 30, 2001 was part of the 2, unfinished contracts, carried forward.

Again, TARGET repeats: If that TARGET conclusion is in error ... [CLICK TO ORDER FULL ARTICLE](#)

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