



中國地能產業集團有限公司
CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8128)

**FINAL RESULT ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

Characteristics of the Growth Enterprise Market (the “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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the “Latest Company Announcement” page for at least 7 days from the date of publication and on the website of China Ground Source Energy Industry Group Limited at www.cgsenergy.com.hk.

FINAL RESULTS

The board of directors (“Directors”) of China Ground Source Energy Industry Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2013, together with the comparative figures for the nine-month period ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	<i>Notes</i>	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Turnover	4	363,662	230,990
Revenue	5	363,662	230,990
Cost of sales		(275,193)	(151,710)
Gross profit		88,469	79,280
Other income	6	15,843	41,910
Selling and distribution expenses		(29,958)	(12,926)
Administrative expenses		(115,221)	(72,413)
Other operating expenses		–	(610)
Loss on refunds of receipt in advance	7	(16,385)	–
Gain on disposal of a portion of investment properties		188,733	–
Fair value changes on investment properties		72,896	44,646
Impairment loss recognised in respect of trade receivables		(11,466)	(53)
Reversal of impairment loss recognised in respect of trade receivables in prior years		9,764	52
Profit from operations		202,675	79,886
Share of results of associates		(6,237)	(423)
Gain on deregistration of subsidiaries		24	176
Share-based payments		(20,139)	(3,491)
Finance costs	8	(21,074)	(2,647)
Profit before tax		155,249	73,501
Income tax expense	9	(55,949)	(27,445)
Profit for the year/period		99,300	46,056
Profit (loss) for the year/period attributable to:			
Owners of the Company		101,810	45,951
Non-controlling interests		(2,510)	105
		99,300	46,056
Earnings per share	11		
Basic (HK cents)		3.51	1.86
Diluted (HK cents)		3.50	1.86

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Year ended 31 December 2013 <i>HK\$'000</i>	Nine months ended 31 December 2012 <i>HK\$'000</i>
Profit for the year/period	<u>99,300</u>	<u>46,056</u>
Other comprehensive income (expense)		
<i>Items that will not be reclassified to profit or loss:</i>		
Gain (loss) on revaluation of leasehold land and building	<u>1,093</u>	<u>(326)</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	29,585	7,225
Share of other comprehensive income of associates	2,473	315
Release of exchange translation reserve upon deregistration of subsidiaries	<u>(154)</u>	<u>98</u>
	<u>31,904</u>	<u>7,638</u>
Other comprehensive income for the year/period, net of income tax of nil	<u>32,997</u>	<u>7,312</u>
Total comprehensive income for the year/period	<u><u>132,297</u></u>	<u><u>53,368</u></u>
Total comprehensive income (expense) attributable to:		
Owners of the Company	133,946	52,853
Non-controlling interests	<u>(1,649)</u>	<u>515</u>
	<u><u>132,297</u></u>	<u><u>53,368</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		233,434	38,653
Investment properties		308,776	245,692
Deposit paid for acquisition of land use rights		244,377	238,500
Goodwill		445,850	445,850
Intangible assets		–	–
Interests in associates		57,570	61,334
Available-for-sale investments		512	498
Prepayments		20,841	–
Deferred tax assets		22,262	21,876
		1,333,622	1,052,403
Current assets			
Inventories		17,166	23,899
Properties held for sale under development		106,005	89,571
Trade and retention receivables	<i>12</i>	129,237	87,060
Prepayments, deposits and other receivables		73,022	73,878
Consideration paid for the acquisition of a subsidiary		62,759	–
Refundable deposit paid for setting up of a joint venture		38,424	–
Consideration receivable		–	53,486
Amounts due from customers for contract work		389,506	448,513
Amount due from an associate		2,323	4,237
Held-for-trading financial assets		40	45
Cash held at non-bank financial institutions		1,262	1,262
Short-term bank deposits		484,763	–
Bank balances and cash		57,167	156,459
		1,361,674	938,410

	<i>Note</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current liabilities			
Trade payables	<i>13</i>	125,463	126,818
Accrued liabilities, deposits received and other payables		169,946	100,284
Amounts due to customers for contract work		18,956	12,121
Amounts due to related companies		560	16,117
Amounts due to associates		9,279	20,512
Tax payable		98,691	61,619
		<u>422,895</u>	<u>337,471</u>
Net current assets		<u>938,779</u>	<u>600,939</u>
Total assets less current liabilities		<u>2,272,401</u>	<u>1,653,342</u>
Non-current liabilities			
Receipt in advance		11,633	67,308
Deferred income		7,741	7,463
Borrowings		512,321	–
Deferred tax liabilities		60,136	38,753
		<u>591,831</u>	<u>113,524</u>
Net assets		<u>1,680,570</u>	<u>1,539,818</u>
Capital and reserves			
Share capital		226,053	226,053
Reserves		1,416,559	1,274,085
Equity attributable to owners of the Company		1,642,612	1,500,138
Non-controlling interests		37,958	39,680
Total equity		<u>1,680,570</u>	<u>1,539,818</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-based payment reserve	Exchange translation reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note a)	(Note b)		(Note c)	(Note d)	(Note e)						
At 1 April 2012	161,092	624,541	2,211	24,488	154,381	(1,694)	32,235	29,705	35,740	37,434	1,100,133	39,168	1,139,301
Profit for the period	-	-	-	-	-	-	-	-	-	45,951	45,951	105	46,056
Other comprehensive income (expense) for the period													
Loss on leasehold land and building revaluation	-	-	-	(326)	-	-	-	-	-	-	(326)	-	(326)
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	315	-	315	-	315
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	6,815	-	6,815	410	7,225
Release of exchange translation reserve upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	98	-	98	-	98
Total other comprehensive (expense) income for the period	-	-	-	(326)	-	-	-	-	7,228	-	6,902	410	7,312
Total comprehensive (expense) income for the period	-	-	-	(326)	-	-	-	-	7,228	45,951	52,853	515	53,368
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Recognition of share-based payment expenses	-	-	-	-	-	-	-	3,491	-	-	3,491	-	3,491
Share repurchased and cancelled	(974)	(3,765)	-	-	-	-	-	-	-	-	(4,739)	-	(4,739)
Issue of subscription shares	65,935	282,565	-	-	-	-	-	-	-	-	348,500	-	348,500
Subscription shares issue expenses	-	(100)	-	-	-	-	-	-	-	-	(100)	-	(100)
At 31 December 2012	<u>226,053</u>	<u>903,241</u>	<u>2,211</u>	<u>24,162</u>	<u>154,381</u>	<u>(1,694)</u>	<u>32,235</u>	<u>33,196</u>	<u>42,968</u>	<u>83,385</u>	<u>1,500,138</u>	<u>39,680</u>	<u>1,539,818</u>

Attributable to owners of the Company

	Assets										Non-controlling interests	Total equity	
	Share capital	Share premium	Statutory reserve	revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-based payment reserve	Exchange translation reserve	Retained earnings			Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note a)	(Note b)		(Note c)	(Note d)	(Note e)						
At 1 January 2013	226,053	903,241	2,211	24,162	154,381	(1,694)	32,235	33,196	42,968	83,385	1,500,138	39,680	1,539,818
Profit for the year	-	-	-	-	-	-	-	-	-	101,810	101,810	(2,510)	99,300
Other comprehensive income (expense) for the year													
Gain on leasehold land and building revaluation	-	-	-	1,093	-	-	-	-	-	-	1,093	-	1,093
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	2,473	-	2,473	-	2,473
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	28,724	-	28,724	861	29,585
Release of exchange translation reserve upon deregistration of subsidiaries	-	-	-	-	-	-	-	-	(154)	-	(154)	-	(154)
Total other comprehensive income for the year	-	-	-	1,093	-	-	-	-	31,043	-	32,136	861	32,997
Total comprehensive income (expense) for the year	-	-	-	1,093	-	-	-	-	31,043	101,810	133,946	(1,649)	132,297
Deregistration of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(73)	(73)
Recognition of share-based payment expenses	-	-	-	-	-	-	-	20,139	-	-	20,139	-	20,139
Lapse of share option	-	-	-	-	-	-	-	(363)	-	363	-	-	-
Appropriation	-	-	135	-	-	-	-	-	-	(135)	-	-	-
Dividends recognised as distribution	-	(11,611)	-	-	-	-	-	-	-	-	(11,611)	-	(11,611)
At 31 December 2013	226,053	891,630	2,346	25,255	154,381	(1,694)	32,235	52,972	74,011	185,423	1,642,612	37,958	1,680,570

Notes:

- (a) The share premium of the Group includes (i) the excess of the issue price over the nominal value of the Company's shares issued at a premium and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation scheme in preparation for the public listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Reorganisation") in 2001 over the nominal value of the share capital of the Company issued in exchange therefore.
- (b) In accordance with the relevant People's Republic of China (the "PRC") regulations and joint venture agreements, the Sino-foreign joint ventures established in the PRC shall set aside a portion of their respective profit after tax, if any, to the statutory reserve. Such amount will be determined at the discretion of the board of directors of the respective entity.

- (c) Contributed surplus represents the cancellation of the paid-up capital and set off against the accumulated losses in prior years.
- (d) Special reserve represents the reserve arising from acquisition of additional interests of a subsidiary from non-controlling interests in prior years.
- (e) Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes in prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL AND BASIS OF PREPARATION

China Ground Source Energy Industry Group Limited (formerly known as China Ground Source Energy Limited) (the “Company”) was incorporated in the Cayman Islands on 14 December 1999 as an exempted company with limited liability under the Company Law (1998 Revision) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30 November 2001.

During the prior financial period, the reporting period end date of the Company was changed from 31 March to 31 December to align the financial year end date of the Company with the financial year end date of the Company’s PRC operating subsidiaries and thereby streamlining the preparation of the consolidated financial statements of the Company. Accordingly, the financial statements for the prior period cover the nine-month period from 1 April 2012 to 31 December 2012. The corresponding comparative amounts shown for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes covered a nine-month period from 1 April 2012 to 31 December 2012 and therefore may not be comparable with amounts shown for the current year.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”) which is different from the functional currency of the Company, Renminbi (“RMB”). As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK\$. The majority of the Company’s subsidiaries are operating in the PRC with RMB as their functional currency.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) have adopted the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosures of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HK (International Financial Reporting Interpretation Committee) (“IFRIC”) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised standards has had no material impact on the Group’s performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 Presentation of Items of Other Comprehensive Income. The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’ and the ‘income statement’ is renamed as the ‘statement of profit or loss’. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 Consolidated Financial Statements, HKFRS 11 Joint Arrangements, HKFRS 12 Disclosure of Interests in Other Entities, HKAS 27 (as revised in 2011) Separate Financial Statements and HKAS 28 (as revised in 2011) Investments in Associates and Joint Ventures, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and HK(SIC) Int-12 Consolidation – Special Purpose Entities. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control

over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

As a result of the initial application of HKFRS 10, the directors of the Company made an assessment whether the Group has control over its investees at the date of initial application and concluded that the application of HKFRS 10 does not result in any change in control conclusions.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (“CGU”) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Group has early adopted these amendments to HKAS 36 and the amendments have had no impact on the financial position or performance of the Group.

New and revised HKFRSs issued but not yet effective

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
HKFRS 9	Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities ¹
HKFRS 14	Regulatory Deferral Accounts ⁴
Amendments to HKAS 19	Defined Benefit Plans – Employee Contributions ²
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ HKFRS 9, as amended in December 2013, amended the mandatory effective date of HKFRS 9. The mandatory effective date is not specified in HKFRS 9 but will be determined when the outstanding phases are finalised. However, application of HKFRS 9 is permitted.

⁴ Effective for annual periods beginning on or after 1 January 2016.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and building, investment properties and certain financial instruments, which are measured at revalued amounts or fair values at the end of each reporting period.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold to customers, net of allowance for returns and trade discounts where applicable and services rendered as well as gross rental income received from investment properties. An analysis of the Group's turnover for the year/period is as follows:

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Sales and installation of shallow ground source energy utilisation system	348,164	221,232
Maintenance services for shallow ground source energy utilisation system	6,121	4,239
Rental income (<i>Note (i)</i>)	9,377	5,519
	<u>363,662</u>	<u>230,990</u>

(i) An analysis of the Group's net rental income is as follows:

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Gross rental income	9,377	5,519
Less: direct operating expenses from investment properties that generated rental income during the year/period	<u>(2,425)</u>	<u>(677)</u>
Net rental income	<u>6,952</u>	<u>4,842</u>

5. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker, being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment are as follows:

- (a) Shallow ground source energy segment – provision, installation and maintenance of shallow ground source energy utilisation system;
- (b) Securities investment and trading segment – trading of investment securities; and
- (c) Properties investment and development segment – investment in properties for its potential rental income and sales.

No operating segment identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2013

	Shallow ground source energy HK\$'000	Securities investment and trading HK\$'000	Properties investment and development HK\$'000	Total HK\$'000
REVENUE				
External sales	<u>354,285</u>	<u>–</u>	<u>9,377</u>	<u>363,662</u>
Segment results	<u>109</u>	<u>(5)</u>	<u>248,855</u>	<u>248,959</u>
Share of results of associates				(6,237)
Unallocated other income				2,605
Unallocated expenses				(79,855)
Unallocated finance costs				<u>(10,223)</u>
Profit before tax				<u>155,249</u>

For the nine months ended 31 December 2012

	Shallow ground source energy <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Properties investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
REVENUE				
External sales	<u>225,471</u>	<u>–</u>	<u>5,519</u>	<u>230,990</u>
Segment results	<u>41,148</u>	<u>(4,057)</u>	<u>68,417</u>	105,508
Share of results of associates				(423)
Unallocated other income				1,870
Unallocated expenses				(33,401)
Unallocated finance costs				<u>(53)</u>
Profit before tax				<u>73,501</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents profit earned by or loss from each segment without allocation of share of results of associates, interest income, certain other income, gain on deregistration of subsidiaries, central administration costs, share-based payments and interest on borrowings. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

Segment assets

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Shallow ground source energy	1,264,449	1,146,007
Securities investment and trading	7,018	9,646
Properties investment and development	<u>698,142</u>	<u>591,254</u>
Total segment assets	1,969,609	1,746,907
Unallocated corporate assets	<u>725,687</u>	<u>243,906</u>
Consolidated total assets	<u>2,695,296</u>	<u>1,990,813</u>

Segment liabilities

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Shallow ground source energy	291,039	225,920
Securities investment and trading	3,666	3,192
Properties investment and development	39,034	84,882
	<hr/>	<hr/>
Total segment liabilities	333,739	313,994
Unallocated corporate liabilities	680,987	137,001
	<hr/>	<hr/>
Consolidated total liabilities	<u>1,014,726</u>	<u>450,995</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, short-term bank deposits, amount due from an associate, consideration paid for the acquisition of a subsidiary, refundable deposit paid for setting up of a joint venture, bank balances and cash and unallocated corporate assets; and
- all liabilities are allocated to operating segments other than amounts due to related companies, amounts due to associates, borrowings, deferred tax liabilities and tax payable.

Other segment information

For the year ended 31 December 2013

	Shallow ground source energy <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Properties investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (<i>Note</i>)	194,348	–	762	195,110
Development cost paid for investment properties under construction	–	–	126,115	126,115
Impairment loss recognised in respect of trade receivables	11,466	–	–	11,466
Fair-value changes on held-for-trading financial assets	–	5	–	5
Reversal of impairment loss recognised in respect of trade receivables in prior years	(9,764)	–	–	(9,764)
Depreciation	3,378	–	1,149	4,527
Fair-value changes on investment properties	–	–	(72,896)	(72,896)
Imputed interest income on receipt in advance	–	–	(6,837)	(6,837)
Imputed interest expense on receipt in advance	–	–	5,440	5,440
Imputed interest expense on prepayments	404	–	5,007	5,411
Loss on refunds of receipt in advance	–	–	16,385	16,385
Gain on disposal of a portion of investment properties	–	–	(188,733)	(188,733)
Write-down of inventories	2,016	–	–	2,016
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interests in associates	57,570	–	–	57,570
Share of results of associates	6,237	–	–	6,237
Interest income	(2,074)	–	–	(2,074)
Interest expenses	10,223	–	–	10,223
Income tax expenses	7,689	–	48,260	55,949

For the nine months ended 31 December 2012

	Shallow ground source energy <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Properties investment and development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets (<i>Note</i>)	7,811	42	950	8,803
Development cost paid for investment properties under construction	–	–	82,867	82,867
Reversal of impairment loss recognised in respect of trade receivables in prior years	(52)	–	–	(52)
Depreciation and amortisation	2,661	296	649	3,606
Impairment loss recognised in respect of trade receivables	53	–	–	53
Fair-value changes on held-for-trading financial assets	–	(20)	–	(20)
Fair-value changes on investment properties	–	–	(44,646)	(44,646)
Imputed interest income on other receivables	(346)	–	–	(346)
Imputed interest income on receipt in advance	–	–	(17,002)	(17,002)
Imputed interest expense on receipt in advance	–	–	2,594	2,594
Gain on disposal of property, plant and equipment	(2,523)	–	–	(2,523)
Gain on disposal of land use right	–	–	(4,924)	(4,924)
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interests in associates	61,334	–	–	61,334
Share of results of associates	423	–	–	423
Interest income	(1,072)	–	–	(1,072)
Interest expenses	53	–	–	53
Income tax expenses	11,985	–	15,460	27,445

Note:

Non-current assets excluded goodwill, investment properties, deposit paid for acquisition of land use rights, interests in associates, available-for-sale investments, non-current portion of prepayments and deferred tax assets.

Geographical information

The Group's operations are mainly located in the PRC. All of the Group's revenue from external customers based on the location at which the services were provided or the goods were delivered and non-current assets are located in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	Year ended 31 December 2013 HK\$'000
Customer A ¹	75,772
Customer B ¹	41,045
	<hr/>
	116,817
	<hr/> <hr/>

¹ Revenue from shallow ground source energy business

The Group did not have customer with whom transactions have exceeded 10% of the Group's aggregate revenue during the nine months ended 31 December 2012.

6. OTHER INCOME

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Bank interest income	2,074	1,072
Government grants (<i>Note</i>)	1,314	8,755
Gain on disposal of property, plant and equipment	–	2,523
Gain on disposal of land use rights	–	4,924
Change in fair value of held-for-trading financial assets	–	20
Compensation received	845	2,387
Sale of scrap materials	2,234	4,311
Imputed interest income on other receivables	–	346
Imputed interest income on receipt in advance	6,837	17,002
Possession fee income	2,031	–
Others	508	570
	<hr/>	<hr/>
	15,843	41,910
	<hr/> <hr/>	<hr/> <hr/>

Note:

Included in the amount of government grants recognised during the year ended 31 December 2013, approximately HK\$1,369,000 were received in respect of certain research projects of the Group, the Group fulfilled the relevant granting criteria and recognised the government grants amounted to approximately HK\$1,314,000 (nine months ended 31 December 2012: HK\$1,375,000) as other income immediately during the year. No government grants previously received were recognised (nine months ended 31 December 2012: HK\$7,380,000) during the year ended 31 December 2013.

7. LOSS ON REFUNDS OF RECEIPT IN ADVANCE

During the year ended 31 December 2013, the Group has disposed of a portion of the investment properties together with the tenancy agreement to a related company. A supplementary agreement was signed between the related company, the tenant and the Group that the receipt in advance received previously by the Group related to the portion sold will be transferred to the related company. Approximately RMB12,974,000 (equivalent to approximately HK\$16,385,000) loss on refunds of receipt in advance was recognised in the consolidated statement of profit or loss as a result of the transfer.

8. FINANCE COSTS

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Interest on borrowings wholly repayable within five years	10,223	53
Imputed interest expense on prepayments	5,411	–
Imputed interest expense on receipt in advance	5,440	2,594
	<u>21,074</u>	<u>2,647</u>

9. INCOME TAX EXPENSE

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Current tax:		
PRC Enterprise Income Tax (“EIT”)	35,802	11,984
Under provision in prior years:		
PRC EIT	–	1
Deferred tax:		
PRC EIT	14,172	5,214
Land Appreciation Tax (“LAT”)	5,975	10,246
	55,949	27,445

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits subject to Hong Kong Profits Tax during the year/period.

Pursuant to the laws and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except as stated below, the tax rate of all the other PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the income tax rules and regulations of the PRC, certain foreign investment subsidiaries were recognised as high technology enterprise in 2008 and the income tax rate applicable to these subsidiaries are 15% for the year ended 31 December 2013 (nine months ended 31 December 2012: 15%).

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995 as well, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as calculated according to the Provisional Regulations of the PRC on LAT and its Detailed Implementation Rules.

The tax expense for the year/period can be reconciled to the profit before tax per the consolidated statement of profit or loss as follows:

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Profit before tax	<u>155,249</u>	<u>73,501</u>
Tax at the domestic income tax rate	43,110	20,179
Under-provision in prior years	–	1
Tax effect of share of results of associates	1,559	68
Tax effect of expenses not deductible for tax purpose	41,775	8,147
Tax effect on investment properties for deferred tax purposes	5,975	4,298
Tax effect of income not taxable for tax purpose	(14,902)	(3,117)
Income tax on concessionary rate	<u>(21,568)</u>	<u>(2,131)</u>
Tax expense for the year/period	<u>55,949</u>	<u>27,445</u>

10. DIVIDENDS

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Dividends recognised as distribution during the year: 2012 Final – HK\$0.4 cents (2012: 2011 nil) per share	<u>11,611</u>	<u>–</u>

Final dividend for the year ended 31 December 2013

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of HK0.5 cents (2012: final dividend in respect of the nine months ended 31 December 2012 of HK0.4 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December 2013 HK\$'000	Nine months ended 31 December 2012 HK\$'000
Earnings		
Profit for the year/period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u>101,810</u>	<u>45,951</u>
	Year ended 31 December 2013 '000	Nine months ended 31 December 2012 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,902,827	2,474,655
Effect of dilutive potential ordinary shares:		
Share options (<i>Note</i>)	<u>8,517</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,911,344</u>	<u>2,474,655</u>

Note:

The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of the shares for the nine months ended 31 December 2012.

12. TRADE AND RETENTION RECEIVABLES

	2013 HK\$'000	2012 HK\$'000
Trade receivables	103,026	59,550
Less: allowance for doubtful debts	<u>(10,416)</u>	<u>(8,560)</u>
	92,610	50,990
Retention receivables	<u>36,627</u>	<u>36,070</u>
	<u>129,237</u>	<u>87,060</u>

The Group generally grants credit period of 30 to 180 days to its customer. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon the customers' request and normally within 365 days. The Group does not hold any collateral over these balances. The retention receivables credit period were usually one to two years from the completion and inspection of the construction projects, and different on case by case basis. The following aging analysis of trade receivables is presented based on the invoice date at the end of the reporting period.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 90 days	23,749	6,124
91 to 180 days	44,336	2,910
181 to 365 days	6,479	11,321
Over 365 days	18,046	30,635
	92,610	50,990

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$56,470,000 (2012: HK\$30,635,000) which were past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts were still considered recoverable.

The aging of trade receivables which were past due but not impaired is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Over 120 days	38,424	–
Over 365 days	18,046	30,635
	56,470	30,635

The Group's neither past due nor impaired trade receivables of approximately HK\$36,140,000 (2012: HK\$20,355,000) mainly represented sales made to creditworthy customers for whom there was no recent history of default.

Allowance in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the allowance is written off against trade receivables balance directly. The movement in the allowance for doubtful debts in respect of trade receivables is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Balance at the beginning of the year/period	8,560	8,479
Exchange realignment	271	80
Eliminated through deregistration of subsidiaries	(117)	–
Impairment losses recognised	11,466	53
Impairment losses reversed	(9,764)	(52)
	<hr/> 10,416 <hr/>	<hr/> 8,560 <hr/>

Included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of approximately HK\$10,416,000 (2012: HK\$8,560,000) which have been placed in severe financial difficulties.

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 90 days	16,369	12,406
91 to 180 days	3,302	7,105
181 to 365 days	21,839	26,686
Over 365 days	83,953	80,621
	<hr/> 125,463 <hr/>	<hr/> 126,818 <hr/>

The average credit period on purchases of goods is from 90 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. EVENTS AFTER THE REPORTING PERIOD

- (i) On 5 December 2013, the Group has entered into a sale and purchase agreement to acquire the remaining 62.03% of the issued share capital of Ever Source Investment Management Company Limited (“Ever Source Investment”), an associate of the Group, for the cash consideration of RMB49,000,000 (approximately HK\$62,759,000). The acquisition was completed on 24 January 2014 and Ever Source Investment became a wholly-owned subsidiary of the Group. Ever Source Investment is principally engaged in business planning, consulting and management services and promotion. Ever Source Investment was acquired to act as investment platform for the future expansion of the Group’s operations.

Due to the timing of the transaction, the Group is still assessing the allocation of fair values of the assets acquired and liabilities assumed. The Group is under the processing to analyse all books and records of Ever Source Investment and therefore the initial accounting for the business combination is still incomplete. Accordingly, certain disclosures in relation to the business combination as at the date of the acquisition, such as fair values of assets acquired and liabilities assumed, goodwill recognised (if any) and acquisition-related costs, have not been presented. The consideration paid was classified as “Consideration paid for the acquisition of a subsidiary” disclosed in note 30(i) to the consolidated financial statements of the Company’s Annual Report for the year ended 31 December 2013.

- (ii) On 14 January 2014, the Group and Tianjin Rong Chuang Ao Cheng Investment Company Limited (“Rong Chuang”) entered into the sale and purchase agreement, pursuant to which Rong Chuang has conditionally agreed to acquire, and the Group has conditionally agreed to dispose of the equity interest (“Equity Interest”) as detailed in note 30(ii) to the consolidated financial statements of the Company’s Annual Report for the year ended 31 December 2013. The completion is conditional upon the due diligence results on the joint venture company (“JV Company”). The total consideration for the Equity Interest is the deposit already placed amounted to RMB30,000,000 (equivalent to approximately HK\$38,424,000) plus an amount equal to 10.73% per annum on the deposit calculated from the date of the Group’s contribution of RMB30,000,000 to the registered capital of the JV Company to the date of the Rong Chuang’s payment of the deposit to the Group (the “Premium”), which shall be satisfied in cash and payable in the following manner:

1. the deposit shall be paid in full within five days after the sales and purchase agreement is signed; and
2. the Premium shall be paid upon completion of the transfer of the Equity Interest.

Up to the date of this report, the deposit amounted to RMB30,000,000 (equivalent to approximately HK\$38,424,000) and the Premium had been fully paid by Rong Chuang.

FINANCIAL REVIEW

In the last financial reporting period, the Board of the Company resolved to change the financial year end date of the Company from 31 March to 31 December. The change of the Company's financial year end date is to align with the financial year end date of the Group's PRC operating subsidiaries and thereby streamlining the preparation of the consolidated financial statements of the Group. As a result of the change of the financial year end date, the last financial report only covers a nine-month period beginning from 1 April 2012 to 31 December 2012; whereas the current financial report covers a twelve-month period beginning from 1 January 2013 to 31 December 2013 and all the percentages are comparing on the figures of a twelve-month period to nine-month period.

The following table provides a brief summary of the financial results of the Group. For more detailed information, please refer to the consolidated financial statements for the year ended 31 December 2013 and the nine-month period ended 31 December 2012.

	Year ended		Nine months ended	
	31 December 2013		31 December 2012	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Turnover:				
– Shallow ground source energy utilisation system	354,285	97	225,471	98
– Properties investment	9,377	3	5,519	2
Total turnover	363,662	100	230,990	100

OPERATION RESULTS

Total turnover from operations for the year ended 31 December 2013 was approximately HK\$364 million, as compared with HK\$231 million for the nine-month period ended 31 December 2012. Turnover from shallow ground source energy utilisation system was increased due to the fact that the revenue from patented technology and energy contract management services increased during the year.

During the year ended 31 December 2013 under review, the Group recorded net profit of approximately HK\$99 million compared with a profit of approximately HK\$46 million for the nine-month period ended 31 December 2012. The increase in net profit was primarily due to the disposal of a portion of investment properties and the fair value changes on the investment properties during the year.

GROSS PROFIT MARGIN

Gross profit from the Group's operations for the year ended 31 December 2013 was approximately HK\$88 million or, represented 24.3% of the revenue (nine-month period ended 31 December 2012: HK\$79 million, represented 34.3% of the revenue). In order to ensure all the new projects meeting the new standards of The Technical Code for Single Well Circulation Heat Exchange Geothermal Energy Collection Well which became effective on 1 April 2013, the Group committed to provide free modification, installation and testing of the customers' shallow ground source energy collection equipment so as to optimizing/improving of the customers' shallow ground source energy utilisation system which was attributable to the increase in costs of sales during the year. Furthermore, provision made for the amounts due from customers for contract work in view of the uncertainty on the collectability was recognised as cost of sales.

SELLING & DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses increased by approximately HK\$17 million, or 132% as compared with that of the nine-month period ended 31 December 2012. The Group also committed to provide free modification, installation and testing of the customers' shallow ground source energy collection equipment so as to optimizing/improving of the customers' shallow ground source energy utilisation system in order to ensure all the completed projects meet the new standards, thereby enhancing the promotional effect, which attributable to the increase in selling and distribution expenses during the year.

Administrative expenses amounted to approximately HK\$115 million and HK\$72 million for the year ended 31 December 2013 and the nine-month period ended 31 December 2012 respectively. The increase in administrative expenses as compared with last financial reporting period was mainly due to the increase in staff costs.

During the year, the Company granted share options to the directors, officer and employees of the Group, which has led to the share-based payment increased from HK\$3.5 million for the nine-month period ended 31 December 2012 to HK\$20.1 million for the year ended 31 December 2013.

SEGMENTAL INFORMATION

The Group's reportable and operating segment consists of shallow ground source energy, securities investment and trading and properties investment and development segments.

Shallow Ground Source Energy

The Group continued to put great effort in promoting the shallow ground source energy as alternative energy for heating/cooling based on the following five business models:

- (1) licensing of patented products and proprietary technology;

- (2) contract management of shallow ground source energy as heating(cooling) energy;
- (3) construction and operation of dispersed ground source energy station for cooling and heating;
- (4) sales and installation of HYY ground source heat pump environment system; and
- (5) ground source energy for integrated heating and cooling industrial parks.

Securities investment and trading

The Group invested the idle fund for securities investment and trading in order to increase the Group's income.

Properties investment and development

The Group had expanded its business to the self-built demonstration projects in Beijing and Dalian for promotion of the application of shallow ground source energy as alternative energy for heating/cooling supply. The investment properties and the properties held for sales under development had applied the Group's HYY Single Well Circulation Heat Exchange Geothermal Energy Collection Technology for the heating/cooling supply to promote shallow ground source energy as alternative energy.

Further information regarding the Group's operating segments may be referred to note 5 "Segment Information" of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

Net current assets of the Group as at 31 December 2013 was approximately HK\$939 million (2012: approximately HK\$601 million). As at 31 December 2013, the Group had cash and bank balances of approximately HK\$542 million (2012: approximately HK\$156 million). Cash on the consolidated statement of financial position include funds available for general corporate purposes.

CHARGES OF GROUP ASSETS

As at 31 December 2013, no group assets have been charged (2012: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Company's reporting currency is in Hong Kong dollars and most of the trading transactions and cost incurred by the Group are principally denominated in Hong Kong dollars and Renminbi. The Group continued to adopt a conservative treasury policy by keeping all bank deposits in either Hong Kong dollars or Renminbi to minimize exposure to foreign exchange risks.

As at 31 December 2013, the Group had no foreign exchange contracts.

GEARING RATIO

The gearing ratio of the Group, based on total borrowings (including interest-bearing bank loans) to the equity (including all capital and reserves) of the Company, increased to 31.2% as at 31 December 2013 (2012: 0%), due to the bank loans obtained during the year.

EMPLOYEES

As at 31 December 2013, the Group has approximately 510 employees (2012: approximately 550).

The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group. In addition, discretionary bonuses will be paid to staff based on individual and Group's performance.

SHARE OPTION SCHEMES

The Company has a share option plan that provides for the issuance of options to its directors, officer and employees of the Group. The detailed disclosures relating to the Company's share option plan are set out in note 44 to the consolidated financial statements of the Company's Annual Report for the year ended 31 December 2013.

CONTINGENT LIABILITIES

As at 31 December 2013, the Company did not provide any form of guarantees for any companies and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

DIVIDEND

The Board resolved to recommend a final dividend for the year ended 31 December 2013 of HK0.5 cents per share (nine months ended 31 December 2012: HK0.4 cents per share).

The proposed final dividend of HK0.5 cents per share is subject to approval by the shareholders in annual general meeting.

CAPITAL COMMITMENT AND SUBSTANTIAL INVESTMENTS

Details of capital commitment are set out in note 43 to the consolidated financial statements of the Company's Annual Report for the year ended 31 December 2013.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OF CAPITAL ASSETS

Our Company anticipates that it will be necessary to make substantial capital expenditures for the development and operation of its properties investment and development segment in the future. The development of “HYY Ground Source Energy for Integrated Heating and Cooling Industrial Park” is demonstrated by the construction of regional shallow ground source heating and cooling energy industrial parks and the manufacturing of system products based on the regional characteristics of the heating industry, so as to ensure wide application of shallow ground source energy for heating and the establishment of an operation assurance system in the locality. The development and construction of the park will be the focus of the development plan of the Group.

MAJOR ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2013, the Group and 北京市四博連通用機械新技術公司 (“四博連”), the related company of the Group, entered into the sale and purchase agreement, pursuant to which, the Group sold, and 四博連 agreed to purchase, the investment properties of the Group at the deemed consideration of approximately RMB259,677,000 (approximately HK\$327,954,000). The consideration was partially offset by the consideration paid by the Group for the acquisition of the office buildings and the remaining balance by cash. The Group acquired the office building from 四博連 amounted to approximately RMB146,640,000 (approximately HK\$185,196,000). Details of the acquisition of office building and disposal of investment properties are set out in notes 16 and 17 respectively to the consolidated financial statements of the Company’s Annual Report for the year ended 31 December 2013.

Save as the disclosed above, there is no other major acquisitions and disposals during the year.

BUSINESS REVIEW AND OUTLOOK

During the period, the Company changed its name from “China Ground Source Energy Limited 中國地能有限公司” to “China Ground Source Energy Industry Group Limited 中國地能產業集團有限公司”, to highlight its development of the emerging industry of integrated heating and cooling system with shallow ground source energy based on industrialisation of the original innovative technologies.

The Group’s original innovative “single well heat exchange circulation system for ground source energy collection technology”, which is well internationally recognised as a safe, efficient and reliable shallow ground source energy collection technology. The proven technology has strong applicability and designability without incurring additional cost to buildings. The industrialisation of the original innovative technology will expedite the all-around upgrading of the traditional heating industry with combustion, emission and pollution impacts into an emerging industry of integrated heating and cooling system with shallow ground source energy featuring zero combustion, emission and pollution.

The Group has entered into a simple reproduction, rapid development stage of vigorously developing emerging industry of integrated heating and cooling system with shallow ground source energy while focusing on the scientific research and promotion of the development and utilization of shallow ground source energy as alternative energy sources. The Group has developed an array of modular product systems with various specifications catering for different geological conditions, building types and construction techniques, including:

- (1) “Dispersed ground source energy station for heating and cooling” mainly for heating infrastructures of new-developing towns and cities;
- (2) “HYY ground source heat pump environment system” for single building or building blocks; and
- (3) “Ground Source Heating Devices” mainly for rural household heating as a safe, economical, environmental-friendly and a substitute of small coal-fired boilers.

“HYY dispersed ground source energy station for cooling and heating”, which is developed based on “points and network combination”, can be deployed as a regional centralised energy supply system that catering to the needs of buildings. It can replace urban heating infrastructure to achieve centralised energy supply for urban building blocks. When applied in conjunction with other energy sources, it can greatly reduce consumption of the traditional fossil energy. In December 2013, HYY and Dalian Jinzhou New Area Administrative Committee entered into a strategic cooperation framework agreement in relation to joint construction of a 900MW Dispersed Ground Source Energy Station for Cooling and Heating.

During the period, the Group recorded a significant increase in the revenue from patented technology services and energy contract management, which is in line with our development plan and expectation. With ground source energy for integrated heating and cooling industrial parks constructed through cooperation with the local government, established regional research and production and service support systems to facilitate sound interaction between promotion and application of shallow ground source energy. Ground source energy for integrated heating and cooling industrial parks assure to render services to 15,000,000 square meters’ building therein.

In view of the aggravating smog and haze and environmental pollution issues, the State Council has determined to take iron-fisted initiatives to complete the iron-fisted task of prevention and control the pollution.

Academician of the Chinese Academy of Sciences present to NPC and CPPCC “To promote vigorously combustion-free heating with equivalent cost is an important means to cure haze pollution”. An important cause of smog and haze is the low-altitude emission discharged by enormous fuel-combustions for heating. The emission containing harmful gas, dirt and vast heat when encountering typical weather condition transforms into haze. Presently the shallow ground source energy collection technology as an indigenous patent technology developed in China is

capable of extracting massive amount of ground source energy to provide heating for buildings free from pollution and potential geological threats in any geological conditions and at very low cost. Therefore, a scientific structure of graded energy utilisation is formulated.

The national wide smog and haze comes out, which enables us to have reason to see in the near future: a rapid development of the emerging industry of integrated ground source system of heating and cooling will become one of the most economical and effective means to expedite the campaign against smog and haze by the local government as the first person responsible for energy conservation and environmental protection. It is believed that the era of the emerging industry of integrated ground source system of heating and cooling is around the corner, which is also a specific example of the ecological civilization construction promoting the traditional industry upgrading to adapt to a new period, which also symbols our Group entering into a healthy and rapid development.

CORPORATE GOVERNANCE

The Company has adopted the code provisions set out in the Corporate Governance Code and Corporate Governance Report (“CG Code”) contained in Appendix 15 of the GEM Listing Rules and has complied with all code provisions set out in the CG Code throughout the Review Period except for the deviations from code provisions A.6.7 and E.1.2, which are explained below.

Under code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

Under code provision E.1.2 of the Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend.

Mr. Jia Wenzeng, an independent non-executive Director and the chairman of the Audit Committee, and Mr. Hu Zhaoguang, an independent non-executive Director and the chairman of the Remuneration Committee, did not attend the annual general meeting held on 13 June 2013 due to their engagement in other business.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions as set out in the CG Code during the Review Period.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests, with the Group.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly.

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. Jia Wenzeng (the chairman of the Audit Committee), Mr. Hu Zhaoguang and Mr. Wu Desheng.

The Audit Committee has reviewed the Group's audited final results for the year ended 31 December 2013 and has provided advice and comments thereon. The Audit Committee held four meetings during the period under review.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors, the Company reported that during the period under review, the directors have complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors.

FINAL DIVIDEND

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 9 May 2014 ("2014 AGM") a final dividend of HK\$0.5 cent per share to be paid on 13 June 2014 to those shareholders whose names appear on the register of members of the Company on 21 May 2014.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2014 AGM, the register of members of the Company will be closed from 8 May 2014 to 9 May 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2014 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 7 May 2014.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 19 May 2014 to 21 May 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration no later than 4:30 p.m. on 16 May 2014.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

By Order of the Board of
China Ground Source Energy Industry Group Limited
Zheng Qiyu
Chairman

Hong Kong, 29 March 2014

As at the date of this announcement, the Board comprises Mr. Zheng Qiyu, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng and Mr. Zang Yiran as executive Directors, Mr. Zhao Youmin and Mr. Daigi as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Hu Zhaoguang as independent non-executive Directors.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the website of the Company at www.cgsenergy.com.hk.