



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

**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.

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This announcement, for which the directors (the “Directors”) of China Ground Source Energy Industry Group Limited (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.

HIGHLIGHTS

Revenue for the six months ended 30 June 2015 (the “Review Period”) amounted to approximately HK\$179,386,000.

Net profit after tax of the Group for the Review Period amounted to approximately HK\$3,108,000.

No dividend was declared for the Review Period.

FINANCIAL REVIEW

The following table provides a brief summary of the financial results of China Ground Source Energy Industry Group Limited (the “Company”) and its subsidiaries (collectively the “Group”). For more detailed information, please refer to the unaudited consolidated financial statements for the Review Period and the six months ended 30 June 2014.

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
– Shallow ground source energy	83,798	26,399	170,027	134,288
– Properties investment	5,931	1,072	9,359	1,989
Total revenue	89,729	27,471	179,386	136,277
Profit for the period	891	4,354	3,108	8,903
Profit attributable to owners of the Company	746	2,146	3,175	2,803

During the Review Period, the Group’s revenue amounted to approximately HK\$170,027,000 which was mainly contributed by shallow ground source energy utilisation business as compared with that of approximately HK\$134,288,000 for the corresponding period last year. The revenue increased by approximately HK\$35,739,000 as compared with that of corresponding period last year. The increase in revenue was mainly attributable to the fact that, in previous year, the Group provided to its existing customers with free upgrade and transformation of the geothermal energy collection equipment in order to meet the new standards of “The Technical Code for Single Well Circulation Heat Exchange Geothermal Energy Collection Well” which received good response and increased customers’ loyalty to the enterprise. Hence, the Group secured a number of projects. The Group’s gross profit margin decreased from 43.0% in last corresponding period to 38.1% in the current period, which was mainly due to the decrease in projects with higher profit margin.

Other income decreased from approximately HK\$51,450,000 in the corresponding period last year to approximately HK\$17,421,000 for the six months ended 30 June 2015. As compared with that of corresponding period last year which has recorded a large amount of government subsidies, the other income in the Review Period decreased.

Selling and distribution expenses amounted to approximately HK\$12,830,000 and HK\$13,170,000 for the six months ended 30 June 2015 and 2014 respectively. The selling and distribution expenses was maintained at a similar level with that of last corresponding period.

During the Review Period, administrative expenses increased by approximately HK\$4,029,000, or 8.5% to approximately HK\$51,663,000 as compared with that of six months ended 30 June 2014. Administrative expenses increased mainly due to the increase in staff costs.

Increase in share-based payment during the Review Period was mainly due to the expenses incurred by the share options granted in August 2014.

Finance costs amounted to approximately HK\$21,685,000 for the six months ended 30 June 2015 as compared with approximately HK\$27,060,000 for the last corresponding period. The finance costs represented the interest expense on borrowings.

Profit attributable to owners of the Company was approximately HK\$3,175,000 for the six months ended 30 June 2015 as compared with approximately HK\$2,803,000 for the last corresponding period.

Order Book

As at 30 June 2015, the Group has contracts on hand of approximately HK\$294,497,000.

Investment Properties

The Group's investment properties as at 30 June 2015 were valued at HK\$463,266,000. As a result, an increase in fair value of investment properties of approximately HK\$26,018,000 (2014: HK\$6,481,000) was recognised directly in profit or loss for the Review Period.

Liquidity, Financial Resources and Capital Structure

Net current assets of the Group as at 30 June 2015 was approximately HK\$733,842,000 (31 December 2014: approximately HK\$836,316,000). As at 30 June 2015, the Group had cash and bank balances of approximately HK\$194,158,000 (31 December 2014: approximately HK\$332,286,000). Cash shown on the statement of financial position include funds available for general corporate purposes.

During the Review Period, share options were exercised to subscribe for 54,848,000 shares in the Company at a consideration of HK\$24,563,000 of which HK\$4,279,000 was credited to share capital and the balance of HK\$20,284,000 was credited to share premium.

During the Review Period, 19,896,000 ordinary shares were repurchased and cancelled with the highest price of HK\$0.370 and the lowest price of HK\$0.345. 8,560,000 ordinary shares were repurchased during the year ended 31 December 2014 but cancelled in the Review Period.

Non-controlling interests amounted to approximately HK\$40,785,000 which mainly represented the interests attributable to non-controlling shareholders of the Group's subsidiaries in the PRC.

Charges on asset

As at 30 June 2015, no Group's asset has been charged.

Gearing Ratio

The gearing ratio of the Group was maintained at 31.4% as at 30 June 2015 (31 December 2014: 31.9%).

Foreign Exchange Exposure

The Group continues to adopt a conservative treasury policy with all bank deposits being kept in either Hong Kong dollars, or in local currencies of the operating subsidiaries, keeping a minimum exposure to foreign exchange risks.

Contingent Liabilities

As at 30 June 2015, the Group had no material contingent liabilities (31 December 2014: Nil).

Employees

As at 30 June 2015, the Group has approximately 600 employees in total (31 December 2014: approximately 600). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

BUSINESS REVIEW AND PROSPECTS

Ever Source Science and Technology Development Group Co., Ltd. (“HYY Group”), the Company’s subsidiary, has been devoted to research, development and marketing of shallow ground source energy¹ used as the substitute energy in providing heating for buildings. By now, its original technology, i.e., the single well ground source energy collection technology has been fully commercialized. As a scientific result contributing to ecological construction, the technology helps to realize holistic escalation of the traditional heating industry that relies on fossil energy burning and lead to fast development of a newly emerging industry of integrated heating and cooling with ground source energy, which features intelligent heating (cooling) for buildings free of combustion.

Key characteristics of intelligent heating (cooling) with ground source energy:

1. Locally available renewable energy supported by advanced technology products to achieve integrated heating and cooling provision for buildings.
2. Free of combustion and pollution in the operating and service areas.
3. No additional cost is added onto the total building cost for achieving the same level of comforts.
4. Realizing high energy efficiency in electricity utilization as it uses a small amount of electricity to transfer a large amount of free and renewable ground source energy to produce heating/cooling for buildings.
5. Providing secured comfort for residences in buildings at low cost, low energy consumption, high energy efficiency, zero pollution and therefore low fossil energy dependency.

The Company has been making constant efforts in promoting orderly and standardized development of the ground source energy heating industry in China. As a result, the China New Energy Building Industry Association was set up in Beijing on 16 April 2015 and the HYY Group holds one of the Vice Presidency in the Association. The Association will engage with relevant enterprises and agencies in new energy and building sectors, so as to jointly explore the best route and modality in the “new normal” backdrop for effective combined development of the two sectors. On 28 May 2015, the HYY Group, in the name of the Vice Presidency of the China New Energy Building Industry Association held the “Workshop on Shallow-Ground Energy and New Energy Building Development”. Present to the workshop, there were experts and leaders in these fields including Mr. Wang Bingchen, Senior Counselor of the State Council and Mr. Wu Desheng, expert in HAVC sector. In the workshop, substantial discussions were carried out on the current status, problems and possible solutions on the development of the newly emerged intelligent heating industry to provide combustion-free heating with shallow ground source energy to buildings. Moreover, together with the workshop, some field visits were organized to the sites of shallow ground source energy central heating project of over 100,000 sq.m. including the office buildings of the China Telecom and the CHALCO.

In the Review Period, the Group has been making forceful efforts to develop the industry of integrated heating and cooling with ground source energy. In the industrial base set up by the Group in Dalian where winter heating is mandatory in China, the construction of a demonstration and show center along Dalian Xianyu Valley has completed with a floorage of 25,000 sq.m. The center will enter into operation as the Caribbean Holiday Resort Hotel in North China on August 16th this year to showcase practical application of renewable ground source energy, being entrusted to BTG-Jianguo Group for management. In the center, the Ground Source Energy Heat Pump Environmental System is used to provide central heating and cooling for the water culture center; ground energy heating device is installed to provide independent heating and cooling for each villa (app. 200 sq.m. each); and ground source energy water heater is used to provide domestic hot water for buildings. As such, both tourist and visitors in this profession can try out the effects by themselves.

Moreover, the Dalian Ground Source Energy Heating Co. Ltd. is now engaged in the construction and operation of a 900MW Distributive HYY Ground Source Heating and Cooling Station in the international business district of Xiaojiaowan in Dalian, it is estimated that within the upcoming ten years, the Company's industrial base will produce heating and cooling for building area of 15 million sq.m. covering a region of 20.4 km² in Dalian. The base will become a national base that manifests all-round commercialization and industrialization of the ground source energy combustion-free heating technology and products. It showcases that as the primary substitute energy for building heating, ground source energy can substitute conventional fossil energy with the readiness of various ground source energy heating products developed by the Group to replace conventional heating methods such as urban heating network, regional heating boilers, and self-combustion burning in rural households.

¹Shallow ground source energy is the best substitute renewable energy of fossil energies in providing heating for buildings, it can be further divided into different classifications:

i. Renewable Shallow Ground Source Energy

Renewable shallow ground source energy refers to the low-grade energy of 0-25°C, reserved in waters such as rivers, lakes, ocean, underground water, mid water and sewage water, and in land such as rocks and soils etc.. Its reserve is huge and wide spreading. Compared with solar and wind energies, the renewable shallow ground source energy has the most extensive distribution. The shallow ground surface of the earth is the primary receiver and storage of solar energy and therefore the shallow ground source energy reserve is more than enormous within 100 meters under the ground surface. Based on our statistics, the reserve is over 1,000 times more than what is needed currently by heating for the 50 billion m² building areas in China.

ii. Conventional Geothermal Energy

Conventional geothermal energy is a high-grade energy of over 25°C. As regulated by the National Law on Mineral Resources, the geothermal energy is a kind of mineral resource owned by the State. It can be directly used for power generation, building heating and water heating. However, since it relies on water that regains heat in great depth underground, its renewable cycle is long. After heat is extracted, the geothermal water is hard to be re-injected into the underground and easy to cause pollutions to the water system, posing threat to water quality of our future generations. Moreover, utilization of geothermal energy is always highly difficult in project engineering and high in maintenance cost. Being unevenly distributed mostly in seismically active zones, geothermal utilization facilities are often endangered and therefore unreliable.

FINANCIAL RESULTS

The Board of Directors (the “Board”) of China Ground Source Energy Industry Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 June 2015 together with the unaudited comparative figures for the corresponding periods in 2014 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	3	89,729	27,471	179,386	136,277
Cost of sales		(63,054)	(25,664)	(111,123)	(77,612)
Gross profit		26,675	1,807	68,263	58,665
Other income		3,386	47,058	17,421	51,450
Fair value changes on investment properties		26,018	6,481	26,018	6,481
Selling and distribution expenses		(6,026)	(6,986)	(12,830)	(13,170)
Administrative expenses		(24,868)	(21,449)	(51,663)	(47,634)
Profit from operations		25,185	26,911	47,209	55,792
Loss on deemed disposal of an associate		–	–	–	(5,877)
Share of results of associates		(217)	(545)	(1,113)	(1,645)
Share-based payments		(2,905)	–	(7,181)	(1,371)
Finance costs		(10,977)	(15,074)	(21,685)	(27,060)
Profit before tax		11,086	11,292	17,230	19,839
Income tax expense	4	(10,195)	(6,938)	(14,122)	(10,936)
Profit for the period	5	891	4,354	3,108	8,903

	Notes	Three months ended		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income (expense):					
<i>Other comprehensive income (expense) to be reclassified to profit or loss in subsequent periods (net of tax):</i>					
Fair value gains on available-for-sale investments		1	–	366	–
Share of other comprehensive income (expense) of an associate		3	–	(4)	–
Exchange differences arising on translation of foreign operations		(2,310)	465	(1,556)	(24,027)
Total other comprehensive (expense) income for the period		(2,306)	465	(1,194)	(24,027)
Total comprehensive (expense) income for the period, net of tax		(1,415)	4,819	1,914	(15,124)
Profit (Loss) attributable to:					
Owners of the Company		746	2,146	3,175	2,803
Non-controlling interests		145	2,208	(67)	6,100
		891	4,354	3,108	8,903
Total comprehensive (expense) income attributable to:					
Owners of the Company		(1,434)	2,570	2,061	(19,791)
Non-controlling interests		19	2,249	(147)	4,667
		(1,415)	4,819	1,914	(15,124)
Earnings per share	7				
Basic (HK cents)		0.026	0.074	0.110	0.097
Diluted (HK cents)		0.026	0.074	0.109	0.096

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	8	279,511	287,654
Investment properties	8	463,266	383,961
Deposit paid for acquisition of land use rights		38,811	56,110
Deposit paid for acquisition of a subsidiary	9	81,286	–
Goodwill		465,760	465,760
Interests in associates		23,244	24,362
Available-for-sale investments		102,443	100,974
Prepayments		15,146	16,844
Deferred tax assets		18,110	18,110
		<u>1,487,577</u>	<u>1,353,775</u>
Current Assets			
Inventories		38,205	29,947
Properties held for sales under development		114,073	104,729
Trade and retention receivables	10	220,306	168,266
Prepayments, deposits and other receivables		151,794	141,525
Amounts due from customers for contract work		332,507	343,659
Amount due from an associate		18,013	15,130
Amounts due from related companies		2,863	728
Held-for-trading financial assets		4,036	3,872
Available-for-sale investments		125,056	124,930
Cash held at non-bank financial institutions		1,553	3,051
Short-term bank deposits		–	19,421
Bank balances and cash		192,605	309,814
		<u>1,201,011</u>	<u>1,265,072</u>

	<i>Notes</i>	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Current Liabilities			
Trade payables	<i>11</i>	123,067	136,200
Accrued liabilities, deposits received and other payables		184,102	152,322
Amounts due to customers for contract work		13,260	12,311
Amounts due to associates		23,382	12,446
Tax payable		123,358	115,477
		<u>467,169</u>	<u>428,756</u>
Net Current Assets		<u>733,842</u>	<u>836,316</u>
Total Assets less Current Liabilities		<u>2,221,419</u>	<u>2,190,091</u>
Non-Current Liabilities			
Receipt in advance		8,067	9,446
Deferred income		8,534	8,525
Borrowings		500,223	499,721
Deferred tax liabilities		68,693	62,868
		<u>585,517</u>	<u>580,560</u>
Net Assets		<u>1,635,902</u>	<u>1,609,531</u>
Capital and Reserves			
Share capital	<i>12</i>	228,229	226,170
Reserves		1,366,888	1,342,429
Equity attributable to owners of the Company		1,595,117	1,568,599
Non-controlling interests		40,785	40,932
Total Equity		<u>1,635,902</u>	<u>1,609,531</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company												
	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	Non-controlling shareholders	Total equity
	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 2014 (Audited)	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
Profit for the period	-	-	-	-	-	-	-	-	-	2,803	2,803	6,100	8,903
Other comprehensive expense for the period:													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(22,594)	-	(22,594)	(1,433)	(24,027)
Total other comprehensive expense for the period	-	-	-	-	-	-	-	-	(22,594)	-	(22,594)	(1,433)	(24,027)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	(22,594)	2,803	(19,791)	4,667	(15,124)
Recognition of share-based payment expenses	-	-	-	-	-	-	-	1,371	-	-	1,371	-	1,371
Dividends recognised as distribution (note 6)	-	(14,514)	-	-	-	-	-	-	-	-	(14,514)	-	(14,514)
Appropriation	-	-	589	-	-	-	-	-	-	(589)	-	-	-
At 30 June 2014 (Unaudited)	<u>226,053</u>	<u>877,116</u>	<u>2,935</u>	<u>25,255</u>	<u>154,381</u>	<u>(1,694)</u>	<u>32,235</u>	<u>54,343</u>	<u>51,417</u>	<u>187,637</u>	<u>1,609,678</u>	<u>42,625</u>	<u>1,652,303</u>

Attributable to owners of the Company

	Attributable to owners of the Company													
	Share capital	Share premium	Statutory reserve	Treasury shares	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-based payment reserve	Exchange reserve	Retained earnings	Total	Non-controlling shareholders	Total equity
	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	HK\$'000
	(Note a)	(Note b)	(Note c)	(Note d)	(Note e)									
At 1 January 2015 (Audited)	226,170	877,919	2,935	(3,083)	34,355	154,381	(1,694)	32,765	68,804	43,967	132,080	1,568,599	40,932	1,609,531
Profit for the period	-	-	-	-	-	-	-	-	-	-	3,175	3,175	(67)	3,108
Other comprehensive income (expense) for the period:														
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	366	-	-	-	366	-	366
Share of other comprehensive expenses of an associate	-	-	-	-	-	-	-	-	-	(4)	-	(4)	-	(4)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	(1,476)	-	(1,476)	(80)	(1,556)
Total other comprehensive income (expense) for the period	-	-	-	-	-	-	-	366	-	(1,480)	-	(1,114)	(80)	(1,194)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	366	-	(1,480)	3,175	2,061	(147)	1,914
Repurchase and cancellation of ordinary shares	(2,220)	(8,150)	-	3,083	-	-	-	-	-	-	-	(7,287)	-	(7,287)
Issue of shares upon exercise of share options	4,279	26,239	-	-	-	-	-	-	(5,955)	-	-	24,563	-	24,563
Lapse of share options	-	-	-	-	-	-	-	-	(19,392)	-	19,392	-	-	-
Recognition of share-based payment expenses	-	-	-	-	-	-	-	-	7,181	-	-	7,181	-	7,181
At 30 June 2015 (Unaudited)	<u>228,229</u>	<u>896,008</u>	<u>2,935</u>	<u>-</u>	<u>34,355</u>	<u>154,381</u>	<u>(1,694)</u>	<u>33,131</u>	<u>50,638</u>	<u>42,487</u>	<u>154,647</u>	<u>1,595,117</u>	<u>40,785</u>	<u>1,635,902</u>

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 year.
- (d) Special reserve represents the reserve arising from acquisition of additional interests of a subsidiary from non-controlling interests in prior year.
- (e) Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes in prior year.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash outflow from operating activities	(68,237)	(15,392)
Net cash (outflow) inflow from investing activities	(73,791)	29,870
Net cash inflow (outflow) from financing activities	6,511	(25,415)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(135,517)	(10,937)
Effect of foreign exchange rates changes	(2,611)	(454)
Cash and cash equivalents at the beginning of the period	332,286	541,930
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	194,158	530,539
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements of the Group for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with Hong Kong Accounting Standard 34 (“HKAS 34”), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The condensed consolidated financial statements have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical costs basis except for certain financial instruments and investment properties, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2014 except as described below.

In the current interim period, the Group has applied, for the first time, the following new standards, amendments and interpretation (“new HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2015.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

The application of the new HKFRSs in the current period has had no material effect on the Group’s financial performance and positions for the current and prior years and/or the disclosures set out in these condensed consolidated financial statements.

3. 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 investments 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.

(a) Segment revenue and results

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

	Shallow ground source energy		Securities investment and trading		Properties investment and development		Total	
	Six months ended		Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June		30 June	
	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue								
External customers	<u>170,027</u>	<u>134,288</u>	<u>-</u>	<u>-</u>	<u>9,359</u>	<u>1,989</u>	<u>179,386</u>	<u>136,277</u>
Segment results	<u>27,501</u>	<u>41,360</u>	<u>(18)</u>	<u>(509)</u>	<u>33,767</u>	<u>19,164</u>	<u>61,250</u>	60,015
Share of results of associates							(1,113)	(1,645)
Unallocated other income							4,395	5,707
Unallocated expenses							(25,617)	(17,570)
Unallocated finance costs							<u>(21,685)</u>	<u>(26,668)</u>
Profit before tax							<u>17,230</u>	<u>19,839</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2014: Nil).

(b) **Segment assets and liabilities**

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

Segment assets

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Shallow ground source energy	1,492,906	1,414,779
Securities investment and trading	233,090	231,699
Properties investments and development	<u>707,757</u>	<u>578,663</u>
Total segment assets	2,433,753	2,225,141
Unallocated corporate assets	<u>254,835</u>	<u>393,706</u>
Consolidated total assets	<u><u>2,688,588</u></u>	<u><u>2,618,847</u></u>

Segment liabilities

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Shallow ground source energy	274,136	268,491
Securities investment and trading	2,143	3,152
Properties investments and development	<u>60,751</u>	<u>47,161</u>
Total segment liabilities	337,030	318,804
Unallocated corporate liabilities	<u>715,656</u>	<u>690,512</u>
Consolidated total liabilities	<u><u>1,052,686</u></u>	<u><u>1,009,316</u></u>

For the purposes of monitoring segment performance 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, amounts due from related companies, bank balances and cash and unallocated corporate assets; and
- all liabilities are allocated to operating segments other than amounts due to associates, borrowings, deferred tax liabilities and tax payable.

4. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax	4,451	5,294	8,378	9,292
Deferred tax	5,744	1,644	5,744	1,644
	10,195	6,938	14,122	10,936

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2015 (2014: Nil).

PRC enterprise income tax has been provided at the relevant tax rate of the net assessable profits attributable to the Group's operations in the PRC during the six months ended 30 June 2015 and 2014.

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	63,054	24,933	111,123	76,580
Staff costs				
(including directors' emoluments)	15,871	10,934	34,916	28,161
Depreciation and amortisation	3,581	3,286	10,107	7,215
Minimum lease payments under operating leases in respect of land and buildings	2,237	2,637	4,184	4,878

6. DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2015, nor has any dividend been proposed since the end of the interim reporting period (2014: Nil).

	Six months ended	
	30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Final dividend recognised as distribution during the period (<i>note</i>)	<u>–</u>	<u>14,514</u>

Note: On 13 June 2014, a dividend of HK0.50 cents per share was paid to the shareholders of the Company as the final dividend for the year ended 31 December 2013.

7. 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:

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings				
Earnings for the period attributable to owners of the Company and for the purpose of basic earnings and diluted earnings per share	<u>746</u>	<u>2,146</u>	<u>3,175</u>	<u>2,803</u>
Number of shares	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,900,129	2,902,827	2,892,927	2,902,827
Effect of dilutive potential ordinary shares:				
Share options	<u>15,002</u>	<u>14,290</u>	<u>18,213</u>	<u>6,498</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,915,131</u>	<u>2,917,117</u>	<u>2,911,140</u>	<u>2,909,325</u>

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2015, the Group incurred approximately HK\$2,645,000 (2014: HK\$1,476,000) on acquisition of property, plant and equipment.

During the Review Period, the land use right certificates in respect of the land auction deposit of approximately RMB31,035,000 (equivalent to approximately HK\$38,812,000) had been obtained. These newly acquired land had been reclassified to investment properties.

The Group's investment properties as at 30 June 2015 were fair valued by Peak Vision Appraisals Limited, an independent professionally qualified valuer not connected to the Group. The resulting increase in fair value of investment properties of approximately HK\$26,018,000 (2014: HK\$6,481,000) has been recognised directly in the profit or loss for the six months ended 30 June 2015.

9. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

On 31 December 2014, an agreement was entered into between the Group, a vendor, Hong Kong Goodway International Holdings Limited and a guarantor, Mr. Chen Zaixian, pursuant to which the Group has conditionally agreed to purchase and the vendor have conditionally agreed to sell 100% equity interest of Goodway (Hangzhou) Biotechnology Ltd. ("Hangzhou Goodway"), indirectly acquire the land and buildings held by Hangzhou Goodway, for the consideration of RMB93,000,000 (equivalent to approximately HK\$116,250,000), which shall be satisfied by cash. Up to 30 June 2015, deposit for acquisition of a subsidiary amounted to RMB65,000,000 (equivalent to approximately HK\$81,286,000) was paid.

Up to the approval date of the condensed consolidated financial statements, the acquisition is yet to be completed.

10. TRADE AND RETENTION RECEIVABLES

	30 June 2015	31 December 2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	148,325	122,997
Less: allowance for doubtful debts	(6,301)	(6,301)
	142,024	116,696
Retention receivables	78,282	51,570
	220,306	168,266

The Group generally grants credit period of 30 to 180 days to its customers. 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.

	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
Within 90 days	32,478	36,164
91 to 180 days	22,947	34,808
181 to 365 days	9,396	8,530
Over 365 days	77,203	37,194
	<hr/> 142,024 <hr/>	<hr/> 116,696 <hr/>

11. TRADE PAYABLES

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

	30 June 2015 <i>HK\$'000</i> (Unaudited)	31 December 2014 <i>HK\$'000</i> (Audited)
Within 90 days	14,097	14,273
91 to 180 days	17,929	11,965
181 to 365 days	9,712	9,024
Over 365 days	81,329	100,938
	<hr/> 123,067 <hr/>	<hr/> 136,200 <hr/>

12. SHARE CAPITAL

	Number of shares US\$0.01 each		Share capital		Share capital	
	30 June 2015 '000 (Unaudited)	31 December 2014 '000 (Audited)	30 June 2015 US\$'000 (Unaudited)	31 December 2014 US\$'000 (Audited)	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Ordinary shares						
Authorised:						
At the beginning of the period/year and at the end of the period/year	<u>16,000,000</u>	<u>16,000,000</u>	<u>160,000</u>	<u>160,000</u>	<u>1,248,000</u>	<u>1,248,000</u>
Issued and fully paid:						
At the beginning of the period/year	2,904,327	2,902,827	29,043	29,028	226,170	226,053
Issue of shares upon exercise of share options	54,848	1,500	548	15	4,279	117
Repurchase and cancellation of the shares	<u>(28,456)</u>	<u>-</u>	<u>(284)</u>	<u>-</u>	<u>(2,220)</u>	<u>-</u>
At the end of the period/year	<u>2,930,719</u>	<u>2,904,327</u>	<u>29,307</u>	<u>29,043</u>	<u>228,229</u>	<u>226,170</u>

13. COMMITMENTS

i) Operating lease

The Group as lessor

The Group sub-leases part of the building and leases the investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	9,511	9,476
In the second to fifth years, inclusive	44,201	43,432
Over five years	<u>195,291</u>	<u>202,093</u>
	<u>249,003</u>	<u>255,001</u>

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within one year	3,794	2,235
In the second to fifth years, inclusive	6,678	2,339
Over five years	1,419	1,723
	<u>11,891</u>	<u>6,297</u>

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarter. Leases are negotiated for an average term ranging from one to twelve years. No provision for contingent rent was established in the leases.

ii) Others

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Commitments contracted for but not provided in the condensed consolidated financial statements in respect of:		
– Investment properties under construction	4,161	23,612
– Capital injection in joint ventures	62,528	–
	<u>66,689</u>	<u>23,612</u>

14. SHARE-BASED PAYMENT TRANSACTIONS

The Company has a share option scheme for eligible employees and business associates of the Group. Details of the share options outstanding during the Review Period are as follows:

	Number of share options
Outstanding at 1 January 2015	628,992,000
Lapsed during the period	(187,000,000)
Exercised during the period	<u>(54,848,000)</u>
Outstanding at 30 June 2015	<u>387,144,000</u>

15. ACQUISITION OF A SUBSIDIARY

On 24 January 2014, the Group acquired the remaining 62.03% equity interest in Ever Source Investment for a cash consideration of RMB49,000,000 (equivalent to approximately HK\$62,779,000). The acquisition has been accounted for using the acquisition method and completed. The amount of goodwill arising as a result of the acquisition was HK\$20,294,000. Ever Source Investment is engaged in business planning, consulting and management services and promotion, and becomes a wholly-owned subsidiary of the Group since then. Ever Source Investment has a wholly-owned subsidiary, 北京京豐恒有源熱力科技有限公司 (collectively referred to as the “Ever Source Investment Group”). Ever Source Investment Group is engaged in the management of heating and cooling system for buildings with the application of geothermal energy in the PRC. Ever Source Investment Group was acquired to act as investment platform for the future expansion of the Group’s operations.

Assets acquired and liabilities recognised at the date of which control was obtained are as follows:

	<i>HK\$’000</i> (Unaudited)
Property, plant and equipment	57,289
Amount due to a holding company	19,085
Prepayments, deposits and other receivables	3,693
Bank balances and cash	309
Amount due to a holding company	(11,877)
Accrued liabilities, deposits received and other payables	(9)
	<u>68,490</u>

Goodwill arising on acquisition

	<i>HK\$’000</i> (Unaudited)
Cash Consideration	62,779
Plus: fair value of the associate	26,005
Less: recognised amount of identifiable net assets acquired (100%)	<u>(68,490)</u>
Goodwill arising on acquisition of a subsidiary	<u>20,294</u>

Goodwill arose in the acquisition of Ever Source Investment Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Ever Source Investment Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	<i>HK\$'000</i>
	(Unaudited)
Cash Consideration	62,779
Less: bank balances acquired	(309)
	<u>(62,470)</u>

16. RELATED PARTY TRANSACTIONS

- (a) During the periods ended 30 June 2015 and 2014, the Group entered into the following transactions:

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating lease payments paid to a non-controlling shareholder	1,187	1,193	2,374	2,386
Rental income from an associate	64	80	127	160
Purchase from an associate	5,751	–	18,120	–
Sales to related companies (<i>note</i>)	709	–	9,309	–
	<u>7,711</u>	<u>1,273</u>	<u>29,930</u>	<u>2,546</u>

Note: The transactions also constituted continuing connected transaction entered into during the six months period ended 30 June 2015 as defined in Chapter 20 of the GEM Listing Rules.

- (b) **Remuneration of key management personnel**

The remuneration of directors and other members of key management during the periods ended 30 June 2015 and 2014 was as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term benefits	2,175	1,852	4,491	4,002
Retirement benefits scheme contributions	13	12	27	23
	<u>2,188</u>	<u>1,864</u>	<u>4,518</u>	<u>4,025</u>

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Valuation technique(s)
	30 June 2015 <i>HK\$'000</i>	31 December 2014 <i>HK\$'000</i>	Fair value and key hierarchy input(s)
Fund classified as available-for-sale investments	63,427	62,995	Level 1 Quoted bid prices in an active market
Held-for-trading non-derivative financial assets classified as held-for-trading financial assets	4,036	3,872	Level 1 Quoted bid prices in an active market

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2015, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) Long Positions and Short Positions in Shares and Equity Derivatives

Name of director	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity		Approximate percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Approximate percentage of the aggregate interests
		Interests in shares					
Ms. Chan Wai Kay Katherine (Note 1)	Beneficial owner	41,500,000 (L)		1.42%	24,500,000 (L)	76,074,000 (L)	2.60%
	Interest of spouse	10,074,000 (L)		0.34%	-		
Mr. Xu Shengheng (Note 2)	Beneficial owner	508,319,000 (L)		17.34%	22,584,000 (L)	531,605,000 (L)	18.14%
	Beneficial owner	508,300,000 (S)		17.34%	-	508,300,000 (S)	17.34%
	Interest of spouse	702,000 (L)		0.02%	-		
Mr. Jia Wenzeng (Note 3)	Beneficial owner	-		-	3,000,000 (L)	3,000,000 (L)	0.10%
Mr. Wu Desheng (Note 4)	Beneficial owner	-		-	1,500,000 (L)	1,500,000 (L)	0.05%

(L): Long position, (S): Short position

Notes:

1. Ms. Chan Wai Kay Katherine (“Ms. Chan”) is interested in 41,500,000 shares and 24,500,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section and Mr. Chow Ming Joe Raymond (“Mr. Chow”), spouse of Ms. Chan, holds 10,074,000 Shares of the Company (“Shares”). Under the SFO, Ms. Chan is deemed to be interested in 10,074,000 Shares in which Mr. Chow is interested.
2. Mr. Xu Shengheng (“Mr. Xu”) is interested in 508,319,000 Shares and 22,584,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section. Ms. Luk Hoi Man (“Ms. Luk”), the spouse of Mr. Xu, holds 702,000 Shares. Therefore, under the SFO, Mr. Xu is deemed to be interested in 702,000 Shares in which Ms. Luk is interested.
3. Mr. Jia Wenzeng is interested in 3,000,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section.
4. Mr. Wu Desheng is interested in 1,500,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section.

(b) Long Positions under Equity Derivatives

The Share Option Plan

On 28 July 2010, the Company, by a shareholders' resolution, conditionally adopted a new share option scheme (the "Share Option Plan") for a period of ten years from the date on which the Share Option Plan became unconditional. On 7 August 2010, the Share Option Plan became unconditional and effective. Pursuant to the Share Option Plan, the board of directors was authorised, at its absolute discretion, to grant options to eligible participants, including directors of the Company or any of its subsidiaries, as defined in accordance with the terms of the Share Option Plan, to subscribe for shares in the Company under the terms of the Share Option Plan. As at 30 June 2015, the following directors of the Company were interested in the following options under the Share Option Plan:

Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 30 June 2015
Ms. Chan Wai Kay Katherine	9 September 2010	9 September 2010 to 8 September 2020	0.426	17,000,000
	11 August 2014	11 August 2015 to 10 August 2016	0.455	7,500,000
Mr. Xu Shengheng	9 September 2010	9 September 2010 to 8 September 2020	0.426	11,600,000
	11 August 2014	11 August 2014 to 10 August 2016	0.455	5,492,000
		11 August 2015 to 10 August 2016	0.455	5,492,000
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.426	1,500,000
	11 August 2014	11 August 2014 to 10 August 2016	0.455	750,000
		11 August 2015 to 10 August 2016	0.455	750,000
Mr. Wu Desheng	11 August 2014	11 August 2014 to 10 August 2016	0.455	750,000
		11 August 2015 to 10 August 2016	0.455	750,000

Save as disclosed above, as at 30 June 2015, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30 June 2015, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long Positions and Short Positions in Shares and Equity Derivatives

Name	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and capacity		Percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Percentage of aggregate interests
		Interest in shares					
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited (Note 1)	Beneficial owner	850,000,000 (L)		29.00%	-	850,000,000 (L)	29.00%
China Energy Conservation and Environmental Protection Group (Note 1)	Interest of controlled corporation	850,000,000 (L)		29.00%	-	850,000,000 (L)	29.00%
Ms. Luk Hoi Man (Note 2)	Beneficial owner	702,000 (L)		0.02%	-		
	Interest of spouse	508,319,000 (L)		17.34%	22,584,000 (L)	531,605,000 (L)	18.14%
	Interest of spouse	508,300,000 (S)		17.34%	-	508,300,000 (S)	17.34%

(L): Long position, (S): Short position

Notes:

1. China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited is a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group (“CECEP”), therefore, under the SFO, CECEP is deemed to be interested in 850,000,000 Shares.
2. Ms. Luk Hoi Man (“Ms. Luk”), the spouse of Mr. Xu Shengheng (“Mr. Xu”), holds 702,000 Shares. Mr. Xu is interested in 508,319,000 Shares and 22,584,000 Shares issuable pursuant to exercise of share options of the Company. Therefore, under SFO, Ms. Luk is deemed to be interested in 508,319,000 Shares and 22,584,000 underlying shares issuable upon the exercise of the share options of the Company in which Mr. Xu is interested.

Save as disclosed above, as at 30 June 2015, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

OUTSTANDING SHARE OPTIONS

As at 30 June 2015, options to subscribe for an aggregate of 387,144,000 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 30 June 2015 were as follows:

Date of grant of share options	As at 1 January 2015	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2015	Vesting period of share options	Exercise period of share options	Exercise price per share HK\$
9 September 2010	64,992,000	-	13,612,000	-	51,380,000	-	9 September 2010 to 8 September 2020	0.426
9 September 2010	31,666,667	-	-	-	31,666,667	9 September 2010 to 8 September 2011	9 September 2011 to 8 September 2020	0.426
9 September 2010	31,666,667	-	-	-	31,666,667	9 September 2010 to 8 September 2012	9 September 2012 to 8 September 2020	0.426
9 September 2010	31,666,666	-	-	-	31,666,666	9 September 2010 to 8 September 2013	9 September 2013 to 8 September 2020	0.426
6 February 2013	28,400,000	-	-	28,400,000	-	-	6 February 2013 to 5 February 2015	0.426
6 February 2013	158,600,000	-	-	158,600,000	-	6 February 2013 to 5 February 2014	6 February 2014 to 5 February 2015	0.426
11 August 2014	141,000,000	-	41,236,000	-	99,764,000	-	11 August 2014 to 10 August 2016	0.455
11 August 2014	141,000,000	-	-	-	141,000,000	11 August 2014 to 10 August 2015	11 August 2015 to 10 August 2016	0.455
	<u>628,992,000</u>	<u>-</u>	<u>54,848,000</u>	<u>187,000,000</u>	<u>387,144,000</u>			

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.

CORPORATE GOVERNANCE CODE

During the Review Period, the Company has complied with the code provisions of the Corporate Governance Code (the “Code”) set out in Appendix 15 of the GEM Listing Rules, except for the deviations as follows:

Under code provision A.2.1 of the Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Following Mr. Zheng Qiyu retired from the chairman of the Company on 12 May 2015, Mr. Liu Dajun was appointed as Joint Chairman of the Board and Chief Operating Officer and Mr. Xu Shengheng was appointed as Joint Chairman of the Board and Chief Executive Officer. Although the roles of chairman and chief executive officer were not separate, we considered that, to a certain extent, balance of power and authority can be achieved by the appointment of Mr. Liu Dajun and Mr. Xu Shengheng as Joint Chairman of the Board. We also considered that it has sufficient manpower to satisfy the needs of management of the Board and the day-to-day management of business.

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. Wu Desheng, the independent non-executive Director, did not attend the annual general meeting held on 12 May 2015 due to their engagement in other business.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee’s primary duties are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the directors of the Company.

The audit committee currently comprises three independent non-executive Directors, namely, Mr. Jia Wenzeng, Mr. Zhang Honghai and Mr. Wu Desheng. Mr. Jia Wenzeng is the chairman of the audit committee. The audit committee has reviewed the Group’s unaudited results for the Review Period and has provided advice and comment thereon.

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 and the Company was not aware of any non-compliance 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 during the Review Period.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Review Period, 19,896,000 shares of US\$0.01 each were repurchased by the Company at prices ranging from HK\$0.345 to HK\$0.37 per share through the Stock Exchange.

As at the date of this announcement, the Board comprises Mr. Liu Dajun, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine and Mr. Zang Yiran as executive Directors, Mr. Zhao Youmin and Mr. Daiqi as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Zhang Honghai as independent non-executive Directors.

By Order of the Board of
China Ground Source Energy Industry Group Limited
Liu Dajun
Joint Chairman & Executive Director

Hong Kong, 13 August 2015

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.