



**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)**

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This 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 nine months ended 30 September 2015 (the “Review Period”) amounted to approximately HK\$241,787,000.

Net profit after tax of the Group for the Review Period amounted to approximately HK\$2,948,000.

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 nine months ended 30 September 2014.

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
– Shallow ground source energy	<b>58,105</b>	63,289	<b>228,132</b>	197,577
– Properties investment	<b>4,296</b>	1,015	<b>13,655</b>	3,004
<b>Total revenue</b>	<b>62,401</b>	64,304	<b>241,787</b>	200,581
<b>(Loss) Profit for the period</b>	<b>(160)</b>	(6,321)	<b>2,948</b>	2,582
<b>(Loss) Profit attributable to owners of the Company</b>	<b>(1,776)</b>	(2,533)	<b>1,399</b>	270

During the Review Period, the Group's revenue amounted to approximately HK\$228,132,000 which was mainly contributed by shallow ground source energy utilisation business as compared with that of approximately HK\$197,577,000 for the corresponding period last year. The revenue increased by approximately HK\$30,555,000 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 was 42.3% in last corresponding period, whereas it was 42.8% in the current period, the gross profit margin was maintained at a similar level.

Other income decreased from approximately HK\$87,075,000 in the corresponding period last year to approximately HK\$26,669,000 for the nine months ended 30 September 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\$19,599,000 and HK\$20,403,000 for the nine months ended 30 September 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 decreased by approximately HK\$3,179,000 or 4.1% to approximately HK\$74,085,000 as compared with that of nine months ended 30 September 2014. More administrative expenses in last corresponding period was mainly due to the one-off expenses arising from the newly acquired company, Ever Source Investment Management Company Limited ("Ever Source Investment", formerly as an associate of the Group).

Finance costs amounted to approximately HK\$32,641,000 for the nine months ended 30 September 2015 as compared with approximately HK\$33,409,000 for the last corresponding period. The finance costs represented the interest expense on borrowings.

Profit attributable to owners of the Company was approximately HK\$1,399,000 for the nine months ended 30 September 2015 (2014: profit attributable to owners of the Company was approximately HK\$270,000). The increase in profit attributable to owners was due to the increase in gross profit.

## **BUSINESS REVIEW AND PROSPECTS**

With the integrated management structure covering both Beijing and Hong Kong Offices, the Group has been making dedicated efforts to push forward scientific research, technology development and market promotion of using the shallow ground source energy as substitute energy of heating for buildings. So far, the single-well heat exchange ground source energy collection technology as the Group's original technology has been fully industrialized. Contributing to the eco-civilization construction of China, the business expansion of the Group helps to spur the rising of an emerging industry of integrated heating and cooling with ground source energy, to boost comprehensive upgrading of traditional heating industry based on fossil energy burning and to promote the energy revolution represented by combustion-free intelligent heating for buildings with ground source energy.

Shallow ground source energy is a renewable and low-grade energy of 0-25°C, with many unique advantages such as wide distribution, huge reserves, natural renewability and easy availability. Synergized with heat pump technology, shallow ground source energy becomes highly effective substitute energy for building heating. As an active practitioner in heating industry and heating is closely linked with the people's livelihood, the Group has been striving for constant technology innovations. Combining the district-based ground source energy collection technology with the district-based heat pumps, the Group has managed to achieve effective provision of heating for building in a highly economical and conservative way featuring little energy consumption, small space occupation and none combustion.

As we all know, combustion is a major cause of smog. There are mainly three types of combustion. Firstly, industrial combustion, its impact on environment is quite regional. Secondly, combustion engines or motors (such as automobiles), its emission is controllable. Thirdly, combustion for building heating, the environment implication is huge and wide spread, especially in rural areas where heating is mostly achieved from burning fuels by individual households. This is a key contributor to the formation of smog in China. The task to curb smog is tremendous. In this backdrop, as a persistent pursuer of combustion-free heating for buildings, the Group has pioneered an innovative approach in curbing smog and promoting industrial upgrading by providing intelligent heating for buildings and propelling development of the new industry of integrated heating and cooling with ground source energy.

Sticking to its expansion strategy targeted at areas along the three ways (airways, highways and high-speed railways), one river (Yangzi River) and one upstream (Yellow river), the Group continues to perfect its operational systems including maintenance, guarantee services, demonstration centers etc.. Currently, the Group pays continuous effort to establishing and improving its marketing system so as to construct a marketing network equipped with products distributors for service of the households, marketing agents for service of the Group, and engineer service providers for guarantee the customers' work, all of which has made progress.

During the Review Period, the Hongyuan Ground Energy Heating Device Technology Co., Ltd, a joint venture company by the Group and the Sichuan Changhong Air Conditioning Co., Ltd. has launched its first batch of ground energy heat pumps to the market.

With expanded application and development of the single-well heat exchange ground source energy collection technology, heating can be achieved in a more secured, efficient and economical way. As such, a new era characterized by combustion-free heating for buildings with shallow ground source energy has arrived.

## 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 nine months ended 30 September 2015 together with the unaudited comparative figures for the corresponding periods in 2014 as follows:

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

*For the nine months ended 30 September 2015*

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
Revenue	3	<b>62,401</b>	64,304	<b>241,787</b>	200,581
Cost of sales		<b>(27,141)</b>	(38,222)	<b>(138,264)</b>	(115,834)
Gross profit		<b>35,260</b>	26,082	<b>103,523</b>	84,747
Other income		<b>9,248</b>	35,625	<b>26,669</b>	87,075
Fair value changes on investment properties		–	–	<b>26,018</b>	6,481
Selling and distribution expenses		<b>(6,769)</b>	(7,233)	<b>(19,599)</b>	(20,403)
Administrative expenses		<b>(22,422)</b>	(29,630)	<b>(74,085)</b>	(77,264)
Profit from operations		<b>15,317</b>	24,844	<b>62,526</b>	80,636
Loss on deemed disposal of an associate		–	–	–	(5,877)
Share of results of associates		<b>(55)</b>	(605)	<b>(1,168)</b>	(2,250)
Share-based payments		<b>(566)</b>	(12,589)	<b>(7,747)</b>	(13,960)
Finance costs		<b>(10,956)</b>	(6,349)	<b>(32,641)</b>	(33,409)
Profit before tax		<b>3,740</b>	5,301	<b>20,970</b>	25,140
Income tax expense	4	<b>(3,900)</b>	(11,622)	<b>(18,022)</b>	(22,558)
(Loss) Profit for the period	5	<b>(160)</b>	(6,321)	<b>2,948</b>	2,582

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive				
(expense) income:				
Other comprehensive (expense)				
income to be reclassified to				
profit or loss in subsequent				
periods (net of tax):				
Fair value (loss) gains on				
available-for-sale investments	(8)	–	358	–
Share of other comprehensive				
expense of an associate	–	–	(4)	–
Exchange differences arising on				
translation of foreign operations	(27,082)	6,516	(28,638)	(17,511)
Total other comprehensive				
(expenses) income for the period	(27,090)	6,516	(28,284)	(17,511)
Total comprehensive (expenses)				
income for the period	(27,250)	195	(25,336)	(14,929)
(Loss) Profit attributable to:				
Owners of the Company	(1,776)	(2,533)	1,399	270
Non-controlling interests	1,616	(3,788)	1,549	2,312
	(160)	(6,321)	2,948	2,582
Total comprehensive (expenses)				
income attributable to:				
Owners of the Company	(27,583)	3,462	(25,522)	(16,329)
Non-controlling interests	333	(3,267)	186	1,400
	(27,250)	195	(25,336)	(14,929)
(Loss) Earnings per share	7			
Basic (HK cents)	(0.06)	(0.087)	0.05	0.009
Diluted (HK cents)	(0.06)	(0.087)	0.05	0.009

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the nine months ended 30 September 2015*

### **1. GENERAL**

China Ground Source Energy Industry Group Limited (the “Company”) was incorporated in 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 are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 30 November 2001.

The addresses of the registered office and principal place of business in Hong Kong of the Company are Floor 4, Willow House, Cricket Square, P.O. Box 2804, KY1-1112, Grand Cayman, Cayman Islands and Units 3709-10, 37/F, The Center, 99 Queen’s Road Central, Central, Hong Kong respectively.

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries and associates are production, sales and installation of ground source energy systems, property management and technical support service and properties investment and development etc.

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. BASIS OF PREPARATION**

The condensed consolidated financial statements 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 Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies adopted in the preparation of the financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 31 December 2014.

The Group has adopted new and amended standards and interpretations of HKFRS which are mandatory for the accounting periods beginning on or after 1 January 2015 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated third quarterly financial information and does not result in substantial changes to the Group’s accounting policies.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

The condensed consolidated accounts have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

### 3. REVENUE

Revenue 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 revenue is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Shallow ground energy utilisation system	<b>58,105</b>	63,289	<b>228,132</b>	197,577
Rental income	<b>4,296</b>	1,015	<b>13,655</b>	3,004
	<b>62,401</b>	64,304	<b>241,787</b>	200,581

### 4. INCOME TAX EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax	<b>3,900</b>	11,622	<b>12,278</b>	20,914
Deferred tax	<b>–</b>	–	<b>5,744</b>	1,644
	<b>3,900</b>	11,622	<b>18,022</b>	22,558

### 5. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period is arrived at after charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of sales	<b>27,141</b>	37,439	<b>138,264</b>	114,019
Staff costs (including directors' emolument)	<b>16,182</b>	16,905	<b>51,098</b>	45,066
Depreciation and amortisation	<b>1,984</b>	4,311	<b>12,091</b>	11,526
Minimum lease payments under operating leases in respect of land and buildings	<b>2,486</b>	2,202	<b>6,670</b>	7,080



## 6. DIVIDENDS

No interim dividend was paid, declared or proposed during the Review Period. The Board does not recommend the payment of an interim dividend (2014: nil) for the nine months ended 30 September 2015.

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(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. (LOSS) EARNINGS PER SHARE

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

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>30 September</b>		<b>30 September</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
<b>(Loss) Earnings</b>				
(Loss) Earnings for the purpose of basic earnings and diluted earnings per share	<u>(1,776)</u>	<u>(2,533)</u>	<u>1,399</u>	<u>270</u>
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<b>2,931,479</b>	2,903,176	<b>2,905,872</b>	2,903,176
Effect of dilutive potential ordinary shares:				
Share options ( <i>note</i> )	<u>–</u>	<u>8,651</u>	<u>7,239</u>	<u>6,599</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>2,931,479</b></u>	<u>2,911,827</u>	<u><b>2,913,111</b></u>	<u>2,909,775</u>

*Note:* The calculation of diluted earnings per share for the three months ended 30 September 2015 does not assume the exercise of share options because the exercise price of the Company's outstanding share options was higher than the average market price of shares for the three months ended 30 September 2015.

## 8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2015

	Attributable to owners of the Company												Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Assets revaluation reserve HK\$'000	Contributed surplus HK\$'000 (Note c)	Special reserve HK\$'000 (Note d)	Capital reserve HK\$'000 (Note e)	Share-based payment reserve HK\$'000	Exchange translation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	
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	-	-	-	-	-	-	-	-	-	270	270	2,312	2,582
Other comprehensive expense for the period:													
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(16,599)	-	(16,599)	(912)	(17,511)
Total other comprehensive expense for the period	-	-	-	-	-	-	-	-	(16,599)	-	(16,599)	(912)	(17,511)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	-	(16,599)	270	(16,329)	1,400	(14,929)
Issue of shares upon exercise of share options	117	803	-	-	-	-	-	(282)	-	-	638	-	638
Recognition of share-based payment expenses	-	-	-	-	-	-	-	13,960	-	-	13,960	-	13,960
Lapse of share options	-	-	-	-	-	-	-	(752)	-	752	-	-	-
Appropriation	-	-	589	-	-	-	-	-	-	(589)	-	-	-
Dividends recognised as distribution (note 6)	-	(14,514)	-	-	-	-	-	-	-	-	(14,514)	-	(14,514)
At 30 September 2014 (Unaudited)	<u>226,170</u>	<u>877,919</u>	<u>2,935</u>	<u>25,255</u>	<u>154,381</u>	<u>(1,694)</u>	<u>32,235</u>	<u>65,898</u>	<u>57,412</u>	<u>185,856</u>	<u>1,626,367</u>	<u>39,358</u>	<u>1,665,725</u>

Attributable to owners of the Company

	Assets												Share-based payment reserve	Exchange translation reserve	Retained earnings	Non-controlling Total shareholder	Total equity
	Share capital	Share premium	Statutory reserve	Treasury shares	revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Assets	Assets	Assets	Assets					
	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	HK\$'000	HK\$'000	
	(Note a)	(Note b)	(Note c)	(Note c)	(Note d)	(Note e)	(Note f)										
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	-	-	-	-	-	-	-	-	-	-	1,399	1,399	1,549	2,948			
Other comprehensive income (expense) for the period:																	
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	358	-	-	-	358	-	358			
Share of other comprehensive expenses of an associate	-	-	-	-	-	-	-	-	-	(4)	-	(4)	-	(4)			
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	(27,275)	-	(27,275)	(1,363)	(28,638)			
Total other comprehensive income (expense) for the period	-	-	-	-	-	-	-	358	-	(27,279)	-	(26,921)	(1,363)	(28,284)			
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	358	-	(27,279)	1,399	(25,522)	186	(25,336)			
Issue of shares upon exercise of share options	4,337	26,588	-	-	-	-	-	-	(6,018)	-	-	24,907	-	24,907			
Repurchase and cancellation of ordinary shares	(3,478)	(12,232)	-	3,083	-	-	-	-	-	-	-	(12,627)	-	(12,627)			
Repurchase of ordinary shares	-	-	-	(6,352)	-	-	-	-	-	-	-	(6,352)	-	(6,352)			
Lapse of share options	-	-	-	-	-	-	-	-	(19,392)	-	19,392	-	-	-			
Recognition of share-based payment expenses	-	-	-	-	-	-	-	-	7,747	-	-	7,747	-	7,747			
At 30 September 2015 (Unaudited)	<u>227,029</u>	<u>892,275</u>	<u>2,935</u>	<u>(6,352)</u>	<u>34,355</u>	<u>154,381</u>	<u>(1,694)</u>	<u>33,123</u>	<u>51,141</u>	<u>16,688</u>	<u>152,871</u>	<u>1,556,752</u>	<u>41,118</u>	<u>1,597,870</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) During the nine months ended 30 September 2015, 53,960,000 ordinary shares were repurchased with the highest price of HK\$0.41 and the lowest price of HK\$0.28. As at 30 September 2015, the total number of issued and fully paid shares included 17,928,000 ordinary shares repurchased prior to the end of the reporting period but cancelled subsequent to the end of the reporting period.
- (d) Contributed surplus represents the cancellation of the paid-up capital and set off against the accumulated losses in prior year.
- (e) Special reserve represents the reserve arising from acquisition of additional interests of a subsidiary from non-controlling interests in prior years.
- (f) Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes in prior years.

## **9. 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%)	(68,490)
	<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 recognized 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>

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

As at 30 September 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	41,636,000 (L)		1.43%	24,500,000 (L)	76,210,000 (L)	2.61%
	Interest of spouse	10,074,000 (L)		0.35%	-		
Mr. Xu Shengheng (Note 2)	Beneficial owner	508,319,000 (L)		17.44%	22,584,000 (L)	531,605,000 (L)	18.23%
	Beneficial owner	508,300,000 (S)		17.44%	-	508,300,000 (S)	17.44%
	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 41,636,000 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 September 2015, the following directors of the Company were interested in the following options under the Share Option Plan:

<b>Name of director</b>	<b>Date of grant</b>	<b>Exercise period</b>	<b>Exercise price per share HK\$</b>	<b>Number of share options outstanding as at 30 September 2015</b>
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 September 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 September 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)		29.16%	–	850,000,000 (L)	29.16%
China Energy Conservation and Environmental Protection Group (Note 1)	Interest of controlled corporation	850,000,000 (L)		29.16%	–	850,000,000 (L)	29.16%
Ms. Luk Hoi Man (Note 2)	Beneficial owner	702,000 (L)		0.02%	–		
	Interest of spouse	508,319,000 (L)		17.44%	22,584,000 (L)	531,605,000 (L)	18.23%
	Interest of spouse	508,300,000 (S)		17.44%	–	508,300,000 (S)	17.44%

(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 September 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 September 2015, options to subscribe for an aggregate of 386,384,000 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 30 September 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 September 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	-	41,996,000	-	99,004,000	-	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>55,608,000</u>	<u>187,000,000</u>	<u>386,384,000</u>			

## CHANGE OF DIRECTOR AND MEMBERS OF THE BOARD COMMITTEES

During the Review Period, Mr. Zheng Qiyu retired as Chairman of the Board and ceased to be Chairman of the nomination committee and Vice Chairman of the remuneration committee of the Company with effect from 12 May 2015. Mr. Liu Dajun has been appointed as executive Director of the Company, Joint Chairman of the Board, Chief Operating Officer, Chairman of the strategic committee, Deputy Chairman of nomination committee and remuneration committee of the Company with effect from 12 May 2015. In addition, Mr. Xu Shengheng, the Chief Executive Officer and executive Director of the Company, has been appointed as Joint Chairman of the Board, Chairman of the nomination committee, Deputy Chairman of the remuneration committee and the strategic committee with effect from 12 May 2015.

## **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 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, 53,960,000 shares of US\$0.01 each were repurchased by the Company at prices ranging from HK\$0.28 to HK\$0.41 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, 12 November 2015

*This announcement will remain on the GEM website with the domain name of [www.hkgem.com](http://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](http://www.cgsenergy.com.hk).*