



**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)**

**FIRST QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE THREE MONTHS ENDED 31 MARCH 2017**

**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 of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## HIGHLIGHTS

Revenue for the three months ended 31 March 2017 (the “Review Period”) amounted to approximately HK\$101,607,000.

Net profit after tax of the Group for the Review Period amounted to approximately HK\$2,850,000.

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 for the three months ended 31 March 2016.

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue		
– Shallow ground source energy utilisation system	<b>97,868</b>	133,993
– Properties investment and development	<b>3,739</b>	3,675
	<b><u>101,607</u></b>	<u>137,668</u>
Profit for the period	<b><u>2,850</u></b>	<u>2,436</u>
Profit attributable to owners of the Company	<b><u>4,099</u></b>	<u>2,836</u>

During the Review Period, the Group’s revenue amounted to approximately HK\$101,607,000 which was mainly contributed by shallow ground source energy utilisation business as compared with that of approximately HK\$137,668,000 for the corresponding period last year. The revenue decreased by approximately HK\$36,061,000 as compared with that of corresponding period last year, and the Group’s gross profit margin increased from 23.2% in last corresponding period to 44.8% in the current period, it was mainly attributable to the fact that the Group had not built any demonstration projects for districts, these projects are low gross profit. Although the number of projects built and the revenue decreased, the gross profit margins increased significantly as compared with the corresponding period last year.

Other income decreased from approximately HK\$19,455,000 in the corresponding period last year to approximately HK\$3,340,000 for the three months ended 31 March 2017. The decrease was mainly attributable to the decrease in the one-off government incentives for development of the integration of heating and cooling emerging industry for the Review Period.

Selling and distribution expenses amounted to approximately HK\$6,309,000 and HK\$8,067,000 for the three months ended 31 March 2017 and 2016 respectively. The selling and distribution expenses in the Review Period decreased as compared with the corresponding period last year due to the decreased in the promotion and marketing activities by the Group during the Review Period, which is also in line with the decreased sales.

During the Review Period, administrative expenses decreased by approximately HK\$2,025,000, or 7% as compared with that of three months ended 31 March 2016. Administrative expenses decreased mainly due to the decrease in staff costs.

Finance costs amounted to HK\$7,931,000 was recorded for the three months ended 31 March 2017 as compared with approximately HK\$9,335,000 for last corresponding period. The finance costs was represented the interest expense on the loan.

Profit for the Review Period (for the three months ended 31 March 2017) was approximately HK\$2,850,000, whereas it was HK\$2,436,000 for the corresponding period in last year.

## **BUSINESS REVIEW AND OUTLOOK**

The Group has been devoted to research, development and promotion of ground source energy as the substitute energy in providing heating for buildings and focusing in the commercialization of its original technology to realize the intelligent heating (cooling) for buildings free of combustion so as to enhance the development of newly emerging industry of integrated heating and cooling with ground source energy.

In the second half of 2016, the Group goes along with the nation's work plan that focuses on the implementation of "Coal to clean energy" in rural areas by organizing and utilizing the resources and the advantages of the Company to carry out no-coal transformation projects for whole village – "Heating Villages with Ground Source Energy" in rural area in Beijing and Hebei regions etc., installing HYY Ground Energy Heating Devices to realize energy revolution shifting from traditional coal-based heating to renewable ground source energy heating with renewable ground source energy as primary heating energy and complemented by electric power. The completed projects have achieved satisfactory results, highlighting the advantages of ground source energy as alternative energy for smart heating of buildings, and proving that our products suit and meet the requirements of heating supply, user and energy saving, while at the same time helping the nation's implementation of no-coal projects to tackle the issue of heavy smog. Based on the experience gained from and performance achieved of the project – "Heating Villages with Ground Source Energy", the Group continued with the preparation for the tenders of the upcoming no-coal project in this year. The preparation work includes organizing products, construction manpower and solution designs, aiming to acquire more no-coal projects this year in order to further develop the principal businesses of the Company.

During the Review Period, there was a geographical breakthrough in the business development as the Company has secured new projects in Guiyang, the city that fulfills and promotes eco-friendly civilization constructions, Nanjing, the city that is hot in summer and cold in winter, and Changchun, the city in extremely cold region. The project in Nanjing is to install smart heating (cooling) systems for factories engaging in green industry to build factories and equipment that are completely eco-friendly. This demonstrates the applicability of ground source energy as alternative energy sources for buildings heating with different geographical conditions.

In addition, the project of St. Joseph's Villa in Nebraska, that using our Company's Single Well Circulation Heat Exchange Geothermal Energy Collection Technology, was awarded the first place of ASHRAE Regional Technology Award of 2016 by the American Society of Heating, Refrigerating and Air-Conditioning Engineers (the "ASHRAE") in recognition of the outstanding achievement in the design and operation of energy-efficient buildings. Through these projects and international recognition which will introduce the Single Well Circulation Heat Exchange Geothermal Energy Collection Technology developed by our Company to the world and make this technology well-known to more people, so as to enhancing the promotion of the Company's business and technology.

The company will continue to uphold its vision committed to the commercialization of its original technology, promotion of the utilization of ground source energy for smart heating (cooling) for buildings with no combustion, to achieve harmony between human and nature and bring high quality life for people to enjoy.

## **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 (collectively referred to as the "Group") for the three months ended 31 March 2017 together with the unaudited comparative figures for the corresponding period in 2016 as follows:

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

*For the three months ended 31 March 2017*

	<i>Notes</i>	<b>Three months ended</b>	
		<b>31 March</b>	<b>2016</b>
		<b>2017</b>	<b>2016</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	3	<b>101,607</b>	137,668
Cost of sales		<u><b>(56,021)</b></u>	<u>(105,751)</u>
Gross profit		<b>45,586</b>	31,917
Other income		<b>3,340</b>	19,455
Selling and distribution expenses		<b>(6,309)</b>	(8,067)
Administrative expenses		<u><b>(25,839)</b></u>	<u>(27,864)</u>
Profit from operations		<b>16,778</b>	15,441
Share of results of associates		<b>(314)</b>	(669)
Share of result of a joint venture		<b>(426)</b>	(584)
Share-based payment expenses		<b>(2,527)</b>	–
Financial costs	4	<u><b>(7,931)</b></u>	<u>(9,335)</u>
Profit before tax		<b>5,580</b>	4,853
Income tax expense	5	<u><b>(2,730)</b></u>	<u>(2,417)</u>
Profit for the period	6	<u><b>2,850</b></u>	<u>2,436</u>

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2017</b>	2016
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Unaudited)
Other comprehensive income (expense) for the period:			
Fair value gains on available-for-sale investments		<b>1</b>	1,120
Share of other comprehensive expense of associates		<b>(1)</b>	(7)
Share of other comprehensive expense of a joint venture		<b>(1)</b>	(6)
Exchange differences arising on translation of foreign operation		<u><b>8,455</b></u>	<u>8,323</u>
Total other comprehensive income for the period		<u><b>8,454</b></u>	<u>9,430</u>
Total comprehensive income for the period		<u><b>11,304</b></u>	<u>11,866</u>
Profit (loss) attributable to:			
Owners of the Company		<b>4,099</b>	2,836
Non-controlling interests		<u><b>(1,249)</b></u>	<u>(400)</u>
		<u><b>2,850</b></u>	<u>2,436</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>12,276</b>	12,154
Non-controlling interests		<u><b>(972)</b></u>	<u>(288)</u>
		<u><b>11,304</b></u>	<u>11,866</u>
Earnings per share	8		
Basic (HK cents)		<b>0.143</b>	0.098
Diluted (HK cents)		<b>0.143</b>	0.098

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

*For the three months ended 31 March 2017*

### **1. GENERAL**

China Ground Source Energy Industry Group Limited (the “Company”) was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The addresses of the registered office and principal place of business in Hong Kong of the Company are P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, 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, associates and a joint venture are production, sales and installation of ground source energy systems, property management, technical support service, sales of air conditioning heat hump 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 (“HKFRSs”), 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 audited financial statements for the year ended 31 December 2016.

The Group has adopted new and amended standards and interpretations of HKFRSs which are mandatory for the accounting periods beginning on or after 1 January 2017 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated first 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 but is in the process of assessing their impact on the results of operation and financial position of the Group.

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

### 3. REVENUE

Revenue represents the amounts received and receivable for goods sold to customers, net of allowance for returns and trade discounts where applicable, and construction, installation and maintenance services rendered, as well as gross rental income received from investment properties.

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

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Shallow ground source energy utilisation system	<b>97,868</b>	133,993
Rental income	<b>3,739</b>	3,675
	<b><u>101,607</u></b>	<u>137,668</u>

### 4. FINANCE COSTS

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on borrowings	<b>7,931</b>	9,335

### 5. INCOME TAX EXPENSE

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
PRC enterprise income tax	<b>2,730</b>	2,417

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 March 2017 (2016: 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 three months ended 31 March 2017.



## 6. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales	56,021	105,751
Staff costs (including directors' emolument)	20,555	22,367
Depreciation and amortisation	2,301	2,612
Minimum lease payments under operating leases in respect of land and buildings	2,168	2,119

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend payment of any dividend for the three months ended 31 March 2017 (2016: nil).

## 8. 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 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	4,099	2,836
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,876,375	2,876,871
Effect of dilutive potential ordinary shares:		
Share options ( <i>note</i> )	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,876,375	2,876,871

*Note:* The calculation of diluted earnings per share for the three months ended 31 March 2017 and 2016 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 31 March 2017 and 2016.

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

For the three months ended 31 March 2017

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Treasury shares	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-based payment reserve	Exchange translation reserve	Retained earnings	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2016 (audited)	225,184	885,718	2,935	(3,293)	26,217	154,381	(1,694)	32,903	51,142	(1,430)	103,965	1,476,028	44,423	1,520,451	
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	2,836	2,836	(400)	2,436	
Other comprehensive income (expense) for the period:															
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	1,120	-	-	-	1,120	-	1,120	
Share of other comprehensive expense of associates	-	-	-	-	-	-	-	-	-	(7)	-	(7)	-	(7)	
Share of other comprehensive expense of a joint venture	-	-	-	-	-	-	-	-	-	(6)	-	(6)	-	(6)	
Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	-	-	-	8,211	-	8,211	112	8,323	
Total other comprehensive income for the period	-	-	-	-	-	-	-	1,120	-	8,198	-	9,318	112	9,430	
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	1,120	-	8,198	2,836	12,154	(288)	11,866	
Acquisition of additional interest of a subsidiary	-	-	-	-	-	-	7,719	-	-	-	-	7,719	(26,353)	(18,634)	
Cancellation of repurchased ordinary shares	(1,194)	(4,229)	-	3,293	-	-	-	-	-	-	-	(2,130)	-	(2,130)	
At 31 March 2016 (unaudited)	223,990	881,489	2,935	-	26,217	154,381	6,025	34,023	51,142	6,768	106,801	1,493,771	17,782	1,511,553	

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Share premium	Statutory reserve	Treasury shares	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-based payment reserve	Exchange translation reserve	Retained earnings	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2017 (audited)	223,990	881,489	2,935	-	28,086	154,381	2,975	31,811	36,483	(59,420)	93,117	1,395,847	45,455	1,441,302	
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	4,099	4,099	(1,249)	2,850	
Other comprehensive income (expense) for the period:															
Fair value gains on available-for-sale investments	-	-	-	-	-	-	-	1	-	-	-	1	-	1	
Share of other comprehensive expense of associates	-	-	-	-	-	-	-	-	-	(1)	-	(1)	-	(1)	
Share of other comprehensive expense of a joint venture	-	-	-	-	-	-	-	-	-	(1)	-	(1)	-	(1)	
Exchange differences arising on translation of foreign operation	-	-	-	-	-	-	-	-	-	8,178	-	8,178	277	8,455	
Total other comprehensive income for the period	-	-	-	-	-	-	-	1	-	8,176	-	8,177	277	8,454	
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	1	-	8,176	4,099	12,276	(972)	11,304	
Recognition of share-based payment expenses	-	-	-	-	-	-	-	-	2,527	-	-	2,527	-	2,527	
Allocation	-	-	355	-	-	-	-	-	-	-	(355)	-	-	-	
At 31 March 2017 (unaudited)	223,990	881,489	3,290	-	28,086	154,381	2,975	31,812	39,010	(51,244)	96,861	1,410,650	44,483	1,455,133	

*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) 5,968,000 ordinary shares with the highest price of HK\$0.36 and the lowest price of HK\$0.34 were repurchased prior to 31 December 2015 and cancelled during the three months ended 31 March 2016.
- (d) Contributed surplus represents the cancellation of the paid-up capital and set off against the accumulated losses in prior years.
- (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.

## **10. EVENTS AFTER THE REPORTING PERIOD**

On 12 April 2017, the Company proposed to raise not less than approximately HK\$115,100,000 and not more than approximately HK\$132,400,000, before expenses, by way of issue of not less than 1,150,550,046 and not more than 1,323,758,046 rights shares pursuant to the rights issue on the basis of two (2) rights shares for every five (5) existing shares in issue on the record date at the rights issue price of HK\$0.10 per rights share. Details of the proposed rights issue and transactions contemplated thereunder can be referred to the announcement of the Company dated 12 April 2017.

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

As at 31 March 2017, 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					
Mr. Xu Shengheng (Note 1)	Beneficial owner	508,319,000 (L)		17.67%	33,600,000 (L)	542,621,000 (L)	18.86%
	Beneficial owner	508,300,000 (S)		17.67%	–	508,300,000 (S)	17.67%
	Interest of spouse	702,000 (L)		0.02%	–		
Ms. Chan Wai Kay Katherine (Note 2)	Beneficial owner	41,636,000 (L)		1.45%	39,000,000 (L)	90,710,000 (L)	3.15%
	Interest of spouse	10,074,000 (L)		0.35%	–		
Mr. Wang Manquan (Note 3)	Beneficial owner	512,000 (L)		0.02%	27,000,000 (L)	27,512,000 (L)	0.96%
Mr. Jia Wenzeng (Note 4)	Beneficial owner	–		–	4,300,000 (L)	4,300,000 (L)	0.15%
Mr. Wu Desheng (Note 5)	Beneficial owner	–		–	2,800,000 (L)	2,800,000 (L)	0.10%

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

*Notes:*

1. Mr. Xu Shengheng (“Mr. Xu”) is interested in 508,319,000 Shares and 33,600,000 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.
2. Ms. Chan Wai Kay Katherine (“Ms. Chan”) is interested in 41,636,000 shares and 39,000,000 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 and Mr. Chow Ming Joe Raymond (“Mr. Chow”), spouse of Ms. Chan, holds 10,074,000 Shares. Under the SFO, Ms. Chan is deemed to be interested in 10,074,000 Shares in which Mr. Chow is interested.
3. Mr. Wang Manquan is interested in 512,000 Shares and 27,000,000 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. Jia Wenzeng is interested in 4,300,000 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.
5. Mr. Wu Desheng is interested in 2,800,000 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 31 March 2017, the following directors and chief executive 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 31 March 2017</b>
Mr. Xu Shengheng	9 September 2010	9 September 2010 to 8 September 2020	0.426	11,600,000
	8 December 2016	8 December 2016 to 31 December 2020	0.300	22,000,000
Ms. Chan Wai Kay Katherine	9 September 2010	9 September 2010 to 8 September 2020	0.426	17,000,000
	8 December 2016	8 December 2016 to 31 December 2020	0.300	22,000,000
Mr. Wang Manquan	9 September 2010	9 September 2011 to 8 September 2020	0.426	1,666,667
		9 September 2012 to 8 September 2020	0.426	1,666,667
		9 September 2013 to 8 September 2020	0.426	1,666,666
	8 December 2016	8 December 2016 to 31 December 2020	0.300	22,000,000
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.426	1,500,000
	8 December 2016	8 December 2016 to 31 December 2020	0.300	2,800,000
Mr. Wu Desheng	8 December 2016	8 December 2016 to 31 December 2020	0.300	2,800,000

Save as disclosed above, as at 31 March 2017, 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 31 March 2017, 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)		29.55%	–	850,000,000 (L)	29.55%
China Energy Conservation and Environmental Protection Group (Note 1)	Interest of controlled corporation	850,000,000 (L)		29.55%	–	850,000,000 (L)	29.55%
Ms. Luk Hoi Man (Note 2)	Beneficial owner	702,000 (L)		0.02%	–		
	Interest of spouse	508,319,000 (L)		17.67%	33,600,000 (L)	542,621,000 (L)	18.86%
	Interest of spouse	508,300,000 (S)		17.67%	–	508,300,000 (S)	17.67%

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

Notes:

- 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.
- 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 33,600,000 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 33,600,000 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 31 March 2017, 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 31 March 2017, options to subscribe for an aggregate of 433,020,000 shares were outstanding (including the directors and chief executive of the Company as disclosed above). Details of which as at 31 March 2017 were as follows:

Date of grant of share options	As at 1 January 2017	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 March 2017	Vesting period of share options	Exercise period of share options	Exercise price per share HK\$
9 September 2010	50,388,000	-	-	-	50,388,000	-	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
8 December 2016	71,600,000	-	-	-	71,600,000	-	8 December 2016 to 31 December 2020	0.300
8 December 2016	108,016,000	-	-	-	108,016,000	8 December 2016 to 7 December 2017	8 December 2017 to 31 December 2020	0.300
8 December 2016	108,016,000	-	-	-	108,016,000	8 December 2016 to 7 December 2018	8 December 2018 to 31 December 2020	0.300
	<u>433,020,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>433,020,000</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.



## **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 four independent non-executive Directors, namely, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui. 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, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

As at the date of this announcement, the Board comprises Mr. An Yi, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Dai Qi as executive Directors, Mr. Zhao Youmin as non-executive Director, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui as independent non-executive Directors.

By Order of the Board of  
**China Ground Source Energy Industry Group Limited**  
**Xu Shengheng**  
*Joint Chairman & Executive Director*

Hong Kong, 15 May 2017

*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).*