



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

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

FINAL RESULT ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED
(THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 GEM (the “GEM Listing Rules”) of The Stock Exchange for the purpose of giving information with regard to the Company. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

FINAL RESULTS

The board of directors (“Directors”) of China Ground Source Energy Industry Group Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2017, together with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
REVENUE	4	778,153	619,053
Cost of sales		<u>(614,244)</u>	<u>(508,454)</u>
Gross profit		163,909	110,599
Other income and gains	4	37,777	55,474
Selling and distribution expenses		(23,302)	(31,076)
Administrative expenses		(115,669)	(122,208)
Finance costs	5	(48,568)	(36,106)
Fair value changes on investment properties		25,900	23,256
Other expenses		(17,227)	(4,765)
Share of profits and losses of:			
A joint venture		276	128
Associates		2,473	483
Share-based payment expenses		<u>(9,546)</u>	<u>(5,309)</u>
PROFIT/(LOSS) BEFORE TAX	6	16,023	(9,524)
Income tax expense	7	<u>(12,061)</u>	<u>(22,105)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>3,962</u>	<u>(31,629)</u>
Attributable to:			
Owners of the parent		10,533	(30,816)
Non-controlling interests		<u>(6,571)</u>	<u>(813)</u>
		<u>3,962</u>	<u>(31,629)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	9		(Adjusted)
Basic and diluted (expressed in HK cents)		<u>0.30</u>	<u>(0.99)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE YEAR	<u>3,962</u>	<u>(31,629)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	(5,188)	(1,092)
Reclassification adjustment for losses included in the consolidated statement of profit or loss		
– impairment losses	<u>6,189</u>	<u>–</u>
	1,001	(1,092)
Exchange differences:		
Exchange differences on translation of foreign operations	86,610	(59,318)
Share of other comprehensive income/(loss) of a joint venture	536	(728)
Share of other comprehensive income/(loss) of associates	<u>1,542</u>	<u>(746)</u>
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	<u>89,689</u>	<u>(61,884)</u>
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	<u>14,912</u>	<u>1,869</u>
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	<u>14,912</u>	<u>1,869</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX	<u>104,601</u>	<u>(60,015)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>108,563</u>	<u>(91,644)</u>
Attributable to:		
Owners of the parent	109,619	(88,029)
Non-controlling interests	<u>(1,056)</u>	<u>(3,615)</u>
	<u>108,563</u>	<u>(91,644)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		349,935	326,850
Investment properties		601,607	513,383
Deposits paid for acquisition of land use rights		105,802	119,965
Goodwill		465,760	465,760
Investment in a joint venture		7,578	6,766
Investments in associates		40,594	36,579
Available-for-sale investments		99,932	98,289
Deferred tax assets		30,324	26,319
Long-term prepayments		176,631	8,371
Trade receivables	<i>10</i>	96,408	54,544
Total non-current assets		<u>1,974,571</u>	<u>1,656,826</u>
CURRENT ASSETS			
Inventories		40,950	60,925
Properties held for sale under development		95,507	88,546
Trade receivables	<i>10</i>	103,310	173,086
Prepayments, deposits and other receivables		245,687	152,859
Amounts due from customers for contract work		514,962	317,832
Amounts due from associates		–	6,474
Amount due from a related company		–	526
Amount due from a joint venture		202	–
Equity investments at fair value through profit or loss		3,072	64
Cash and cash equivalents		122,004	73,931
Total current assets		<u>1,125,694</u>	<u>874,243</u>
CURRENT LIABILITIES			
Trade and bills payables	<i>11</i>	381,705	233,536
Other payables and accruals		162,525	171,098
Amounts due to customers for contract work		12,290	12,207
Amounts due to associates		18,644	–
Amount due to a joint venture		–	1,393
Amount due to a related company		11,203	–
Interest-bearing bank borrowings		89,693	–
Tax payable		161,075	148,209
Total current liabilities		<u>837,135</u>	<u>566,443</u>
NET CURRENT ASSETS		<u>288,559</u>	<u>307,800</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,263,130</u>	<u>1,964,626</u>

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,263,130</u>	<u>1,964,626</u>
NON-CURRENT LIABILITIES		
Other payables and accruals	9,547	2,823
Deferred income	10,542	9,804
Interest-bearing bank borrowings	480,286	446,662
Deferred tax liabilities	<u>75,725</u>	<u>64,035</u>
Total non-current liabilities	<u>576,100</u>	<u>523,324</u>
Net assets	<u>1,687,030</u>	<u>1,441,302</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	313,793	223,990
Reserves	<u>1,313,417</u>	<u>1,171,857</u>
	1,627,210	1,395,847
Non-controlling interests	<u>59,820</u>	<u>45,455</u>
Total equity	<u>1,687,030</u>	<u>1,441,302</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

1. CORPORATE AND GROUP INFORMATION

China Ground Source Energy Industry Group Limited was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and principal place of business of the Company are disclosed in the “Corporate Information” section to the annual report.

During the year, the Group was involved in the following principal activities:

- Provision, installation and maintenance of shallow geothermal energy utilisation system
- Trading of air conditioning heat pump products
- Investment in properties for its potential rental income
- Trading of securities and other types of investments

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (the “HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, leasehold land and buildings classified as property, plant and equipment, and listed equity investments classified as available-for-sale investments and equity investments at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 38 to the consolidated financial statements of the annual report upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> ¹
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> ¹
HKFRS 9	<i>Financial Instruments</i> ¹
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> ²
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ¹
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> ¹
HKFRS 16	<i>Leases</i> ²
HKFRS 17	<i>Insurance Contracts</i> ³
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> ²
Amendments to HKAS 40	<i>Transfers of Investment Property</i> ¹
HK(IFRIC) -Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> ¹
HK(IFRIC) -Int 23	<i>Uncertainty over Income Tax Treatments</i> ²
<i>Annual Improvements to HKFRSs 2014-2016 Cycle</i>	Amendments to HKFRS 1 and HKAS 28 ¹
<i>Annual Improvements to HKFRSs 2015-2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 22 and HKAS 23 ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) Shallow geothermal energy segment – provision, installation and maintenance of shallow geothermal energy utilisation system;
- (b) Air conditioning heat pump segment – trading of air conditioning heat pump products;
- (c) Properties investment and development segment – investments in properties for its potential rental income; and
- (d) Securities investment and trading segment – trading of securities and other types of investment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that share of profits and losses of associates and a joint venture, interest income, certain other income, certain administration costs, share-based payment expenses and finance costs are excluded from such measurement.

Segment assets exclude certain other receivables, investments in associates and a joint venture, deferred tax assets, amounts due from a joint venture, associates and a related company, cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain other payables and accruals, amounts due to a joint venture, associates and a related company, interest-bearing bank borrowings, deferred tax liabilities and tax payable as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2017

	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning heat pump <i>HK\$'000</i>	Properties investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue:					
Sales to external customers	740,470	23,906	13,777	–	778,153
Intersegment sales	–	44,028	–	–	44,028
	740,470	67,934	13,777	–	822,181
<i>Reconciliation:</i>					
Elimination of intersegment sales					(44,028)
Revenue					<u>778,153</u>
Segment results	58,790	5,472	39,677	3,099	107,038
<i>Reconciliation:</i>					
Elimination of intersegment results					(5,331)
Share of profits and losses of associates					2,473
Share of profits and losses of a joint venture					276
Unallocated other income					2,252
Corporate and other unallocated expenses					(42,117)
Finance costs					(48,568)
Profit before tax					<u>16,023</u>
Segment assets	1,819,027	92,852	922,962	106,496	2,941,337
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(43,768)
Corporate and other unallocated assets					202,696
Total assets					<u>3,100,265</u>
Segment liabilities	466,209	84,782	46,889	6,758	604,638
<i>Reconciliation:</i>					
Elimination of intersegment payables					(43,768)
Corporate and other unallocated liabilities					852,365
Total liabilities					<u>1,413,235</u>

Year ended 31 December 2017

	Shallow geothermal energy <i>HK\$'000</i>	Air conditioning heat pump <i>HK\$'000</i>	Properties investment and development <i>HK\$'000</i>	Securities investment and trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation	14,208	615	2,517	326	17,666
Impairment losses recognised in respect of trade receivables	10,114	–	436	–	10,550
Reversal of impairment loss in respect of trade receivables	(86)	–	–	–	(86)
Impairment loss recognised in respect of available-for-sale investments	–	–	–	6,189	6,189
Loss on uncertainty in respect of collectability of amounts due from customers of contract work	58,678	–	–	–	58,678
Changes in fair value of investment properties	–	–	(25,900)	–	(25,900)
Capital expenditure	3,488	3,950	40,975	–	48,413
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Investments in associates	40,594	–	–	–	40,594
Investment in a joint venture	7,578	–	–	–	7,578
Share of profits and losses of associates	(2,473)	–	–	–	(2,473)
Share of profits and losses of a joint venture	(276)	–	–	–	(276)
Share-based payment expenses	9,546	–	–	–	9,546

Year ended 31 December 2016

	Shallow geothermal energy HK\$'000	Air conditioning heat pump HK\$'000	Properties investment and development HK\$'000	Securities investment and trading HK\$'000	Total HK\$'000
Segment revenue:					
Sales to external customers	428,413	172,518	18,122	–	619,053
Intersegment sales	–	44,335	–	–	44,335
	428,413	216,853	18,122	–	663,388
<i>Reconciliation:</i>					
Elimination of intersegment sales					(44,335)
Revenue					<u>619,053</u>
Segment results	35,175	7,355	64,649	4,481	111,660
<i>Reconciliation:</i>					
Elimination of intersegment results					(5,734)
Share of profits and losses of associates					483
Share of profits and losses of a joint venture					128
Unallocated other income					2,053
Corporate and other unallocated expenses					(82,008)
Finance costs					(36,106)
Loss before tax					<u>(9,524)</u>
Segment assets	1,387,444	108,625	832,683	99,906	2,428,658
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(48,184)
Corporate and other unallocated assets					150,595
Total assets					<u>2,531,069</u>
Segment liabilities	379,585	42,352	26,776	4,353	453,066
<i>Reconciliation:</i>					
Elimination of intersegment payables					(48,184)
Corporate and other unallocated liabilities					684,885
Total liabilities					<u>1,089,767</u>

Year ended 31 December 2016

	Shallow geothermal energy HK\$'000	Air conditioning heat pump HK\$'000	Properties investment and development HK\$'000	Securities investment and trading HK\$'000	Total HK\$'000
Other segment information:					
Amounts included in the measure of segment profit or loss or segment assets:					
Depreciation	11,373	595	685	–	12,653
Impairment loss recognised in respect of trade receivable	9,003	–	–	–	9,003
Reversal of impairment loss in respect of trade receivables	(4,238)	–	–	–	(4,238)
Loss on uncertainty in respect of collectability of amounts due from customers of contract work	42,471	–	–	–	42,471
Changes in fair value of investment properties	–	–	(23,256)	–	(23,256)
Capital expenditure	18,387	5,239	59,525	–	83,151
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:					
Investments in associates	36,579	–	–	–	36,579
Investment in a joint venture	6,766	–	–	–	6,766
Share of profits and losses of associates	(483)	–	–	–	(483)
Share of profits and losses of a joint venture	(128)	–	–	–	(128)
Share-based payment expenses	5,309	–	–	–	5,309

Geographical information

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

Information about major customers

Information about revenue from major customers which amounted to 10% or more of Group's revenue is shown in the following table:

	2017 HK\$'000	2016 HK\$'000
Customer A	–	135,527
Customer B	<u>316,805</u>	<u>–</u>
	<u>316,805</u>	<u>135,527</u>
Total revenue	<u>778,153</u>	619,053
Proportion of revenue	<u>40.7%</u>	<u>21.9%</u>

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the values of services rendered; and gross rental income received and receivable from investment properties during the year.

An analysis of revenue, other income and gains is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Sale, installation and maintenance of shallow geothermal energy utilisation system	740,470	428,413
Sales of air conditioning heat pump products	23,906	172,518
Rental income	<u>13,777</u>	<u>18,122</u>
	<u>778,153</u>	<u>619,053</u>
Other income		
Bank interest income	782	475
Sale of scrap materials	394	232
Government grants (<i>Note</i>)	1,330	24,137
Dividend income from equity investments at fair value through profit or loss	5	1
Dividend income from available-for-sale investments	2,433	–
Others	<u>1,401</u>	<u>2,067</u>
	<u>6,345</u>	<u>26,912</u>
Gains		
Fair value change of equity investments at fair value through profit or loss	661	5
Gain on disposal of investment properties	–	23,271
Gain on disposal of subsidiaries	24,236	–
Gain on disposal of items of property, plant and equipment	6,535	–
Gain on disposal of available-for-sale investments	–	4,475
Exchange gain	<u>–</u>	<u>811</u>
	<u>31,432</u>	<u>28,562</u>
	<u>37,777</u>	<u>55,474</u>

Note: Government grants have been received in respect of certain heating projects of the Group. There are no unfulfilled conditions or contingencies relating to these grants.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interest on bank loans, overdrafts and other loans	37,365	36,106
Guarantee fee on bank loans	<u>11,203</u>	<u>–</u>
	<u>48,568</u>	<u>36,106</u>

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of inventories sold		23,765	170,897
Cost of services provided		531,801	295,086
Depreciation		17,666	12,653
Research and development costs		13,998	11,199
Minimum lease payments under operating leases		7,773	8,310
Auditor's remuneration		3,128	2,382
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages and salaries		57,801	66,520
Equity-settled share option expense		9,546	5,309
Pension scheme contributions		<u>8,546</u>	<u>10,588</u>
		<u>75,893</u>	<u>82,417</u>
Impairment loss recognised in respect of trade receivables*	10	10,550	9,003
Impairment loss recognised in respect of available-for-sale investments*		6,189	–
Reversal of impairment loss of trade receivables*	10	(86)	(4,238)
Changes in fair value of investment properties		(25,900)	(23,256)
Fair value change on equity investments at fair value through profit or loss		(661)	(5)
Loss/(gain) on disposal of available-for-sale investments*		463	(4,475)
Dividend income from available-for-sale investments		(2,433)	–
Dividend income from equity investments at fair value through profit or loss		(5)	(1)
Bank interest income		(782)	(475)
Gain on disposal of investment properties		–	(23,271)
Loss on uncertainty in respect of collectability of amounts due from customers for contract work (included in cost of sales)		58,678	42,471
Gain on disposal of items of property, plant and equipment		(6,535)	–
Gain on disposal of subsidiaries		<u>(24,236)</u>	<u>–</u>

* Impairment loss recognised in respect of trade receivables and available-for-sale investments, reversal of impairment loss of trade receivables and loss on disposal of available-for-sale investments are included in "Other expenses" in the consolidated statement of profit or loss.

7. INCOME TAX EXPENSE

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

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during both years.

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

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries were recognised as high and new technology enterprises and the income tax rate applicable to these subsidiaries was 15% for the year ended 31 December 2017 (2016: 15%).

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current – Mainland China	7,546	18,984
Deferred	4,515	3,121
Total tax charge for the year	<u>12,061</u>	<u>22,105</u>

8. DIVIDENDS

During the years ended 31 December 2017 and 2016, no dividend was declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, no final dividend in respect of the year ended 31 December 2017 has been proposed by the directors of the Company.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 3,530,455,000 (2016: 3,111,850,000 (adjusted)) in issue during the year, as adjusted to reflect the rights issue during the year.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the Company's shares for the year ended 31 December 2017.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2016 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent	<u>10,533</u>	<u>(30,816)</u>
	Number of shares	
	2017	2016
	'000	'000
		<i>(Adjusted)</i>
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	<u>3,530,455</u>	<u>3,111,850</u>

10. TRADE RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	224,805	204,937
Impairment	<u>(74,155)</u>	<u>(59,646)</u>
Trade receivables, net	150,650	145,291
Retention receivables	<u>49,068</u>	<u>82,339</u>
	199,718	227,630
Less: non-current portion	<u>(96,408)</u>	<u>(54,544)</u>
Current portion	<u><u>103,310</u></u>	<u><u>173,086</u></u>

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 90 days	77,201	119,074
91 to 180 days	16,739	4,301
181 to 365 days	16,289	18,233
Over 365 days	<u>89,489</u>	<u>86,022</u>
	<u><u>199,718</u></u>	<u><u>227,630</u></u>

The movements in provision for impairment of trade receivables are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of year	59,646	58,651
Exchange realignment	4,045	(3,770)
Impairment losses recognised (<i>note 6</i>)	10,550	9,003
Impairment losses reversed (<i>note 6</i>)	(86)	(4,238)
	<u>74,155</u>	<u>59,646</u>

Included in the above provision for impairment of trade receivables is a provision for trade receivables with a carrying amount before provision of HK\$74,155,000 (2016: HK\$59,646,000).

No individual provision for impairment of trade receivables was included in the above table at 31 December 2017 (2016: Nil).

The ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	158,905	205,096
Less than one year past due	33,028	22,534
Over one year past due	7,785	—
	<u>199,718</u>	<u>227,630</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 90 days	161,420	107,018
91 to 180 days	33,137	13,863
181 to 365 days	27,340	15,745
Over 365 days	159,808	96,910
	381,705	233,536

The trade and bills payables are non-interest-bearing and are normally settled in six months.

FINANCIAL REVIEW

For the year ended 31 December 2017, the profit for the year of the Group amounted to approximately HK\$3,962,000 and revenue amounted to HK\$778,153,000 as compared with the loss of the Group amounted to HK\$31,629,000 and revenue amounted to approximately HK\$619,053,000 for the year ended 31 December 2016.

The following table provides a brief summary of the financial results of the Group. For more detailed information, please refer to the consolidated financial statements for the year ended 31 December 2017 and 2016.

Revenue	2017		2016	
	HK\$000	%	HK\$000	%
1. Shallow geothermal energy utilisation system				
Including: Planning and Design	4,453	1	5,479	1
Geothermal energy collection	73,886	9	34,217	6
System engineering	648,608	83	339,249	54
Operation and maintenance management	13,523	2	49,468	8
2. Air conditioning heat pump	23,906	3	172,518	28
3. Properties investment and development	13,777	2	18,122	3
Total revenue	<u>778,153</u>	<u>100</u>	<u>619,053</u>	<u>100</u>

OPERATIONAL RESULTS

Total revenue from operations for the year ended 31 December 2017 was approximately HK\$778,153,000 as compared with HK\$619,053,000 for the year ended 31 December 2016. The revenue of the shallow geothermal energy utilisation system increased during the year due to the fact that the Group had put great efforts to promote renewable shallow geothermal energy heating, especially in northern China. The Group secured projects in Beijing, Hebei, Liaoning, Shanxi, Guizhou and other regions. Especially for coal-to-electricity projects in Beijing, a single contract amounted to RMB320 million was secured. Therefore, revenue has increased during this year.

During the year ended 31 December 2017, the Group recorded a net profit of approximately HK\$3,962,000 compared with a net loss of approximately HK\$31,629,000 for the year ended 31 December 2016.

GROSS PROFIT MARGIN

Gross profit from the Group's operations for the year ended 31 December 2017 was approximately HK\$163,909,000, represented the gross profit margin of 21.06% (2016: approximately HK\$110,599,000 represented the gross profit margin of 17.87%). The increase in gross profit margin of the Group was mainly due to the fact that the Group's gross profit during the year under review had been back to normal, while the Group built certain demonstration projects with low gross profit margin for the new development areas during the year 2016. In the meantime, the trading of air conditioning heat pump products is a competitive business in the mainland China, and the relevant gross profit margin was low. The trading of air conditioning heat pump products attributed to a great portion to the total sales in 2016, it also dragged down the gross profit margin during the year 2016. As stated above, the gross profit was higher as compared with that of last year.

SELLING & DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses for this year decreased by approximately HK\$7,774,000, or 25.02% as compared with that of the year ended 31 December 2016. The selling and distribution expenses decreased was mainly due to the fact that the promotional and marketing activities of the relevant projects of the Group decreased during the year. The projects implemented by the Group were the results of business promoted in the previous year. There was no significant increase in number of staff and expenses during the year. As a result, the relevant sales and distribution expenses as a whole decreased during the year.

Administrative expenses amounted to approximately HK\$115,669,000 (decreased by 5.35%) and HK\$122,208,000 for the years ended 31 December 2017 and 2016 respectively. The administrative expenses was maintained at similar level as compared with last financial reporting year.

During the year ended 31 December 2017, the Group incurred share-based payment expenses of approximately HK\$9,546,000 (2016: approximately HK\$5,309,000) which was due to the fact that the Group granted share options to directors, officers, employees and business partners which lead to the related expenses.

ORDER BOOK

As at 31 December 2017, the Group had contracts on hand of approximately HK\$439,685,000 (2016: approximately HK\$572,484,000).

SEGMENTAL INFORMATION

The Group's reportable and operating segment consists of shallow geothermal energy, air conditioning heat pump, properties investment and development and securities investment and trading segments.

Shallow geothermal energy

The Group has always been committed to promote the development of non-combustion emerging industry of integrated heating and cooling with geothermal energy. It is the only enterprise in the country that possesses the business capabilities of design qualification, design capability, construction qualification, construction capability, operation and maintenance, main engine production and contract energy management. The Company is also the only patent holder of the original single-well circulation heat exchange energy collection technology and owns the largest number of patented technologies in the industry. Leveraging on existing resources and integrating supply chain service capabilities, the Group features various professional sectors. Currently, the Group has formed five major segments of planning and design, supply of renewable energy, intelligent manufacturing, engineering construction and operation and maintenance.

Air conditioning heat pump

The Group continued its air conditioning heat pump business this year and has expanded nearly 2,000 devices in the district of Shunyi and Huairou in Beijing. In the future, the Group will continue to develop such products and enrich the product line constantly to meet the individual needs of the customers.

Properties investment and development

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

Securities investment and trading

The Group invested the idle fund for trading of securities and other types of investments in order to increase the Group's income.

Further information regarding the Group's operating segments may be referred to note 3 "Operating Segment Information" of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

Net current assets of the Group as at 31 December 2017 was approximately HK\$288,559,000 (2016: approximately HK\$307,800,000). The Group obtained a specific loan facility of approximately RMB179,500,000 (equivalent to approximately HK\$215,529,000) from Beijing Bank's coal-to-electricity specific borrowings during the year 2017. The loan bears interest at approximately 6% per annum and is repayable in August 2018 according to the loan agreement. As at 31 December 2017, the Group has repaid RMB 104,800,000 (equivalent to approximately HK\$125,836,000).

In 2016, the Group obtained entrusted loans in the principal amount of approximately RMB400,000,000 (equivalent to approximately HK\$480,286,000) from 中節能華禹基金管理有限公司, a related party connected to the Group, through Huishang Bank. The loan bears interest at 7% per annum and is repayable in 2019 according to the entrusted loan agreement.

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK\$122,004,000 (2016: approximately HK\$73,931,000). Cash and cash equivalents on the consolidated statement of financial position include funds available for general corporate purposes.

CHARGES OF GROUP ASSETS

As at 31 December 2017, no assets of the Group have been charged (2016: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

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

As at 31 December 2017, the Group had no foreign exchange contracts.

GEARING RATIO

The gearing ratio of the Group, based on total net debt (including interest-bearing bank borrowings, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the parent) plus net debt of the Group, was 37% as at 31 December 2017 (2016: 35%). The gearing ratio was increased due to the fact that the Group obtained "coal-to-electricity" specific borrowing from Beijing Bank.

EMPLOYEES

As at 31 December 2017, the Group has approximately 660 employees (2016: approximately 650). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group. In addition, discretionary bonuses will be paid to staff based on individual and Group's performance.

SHARE OPTION SCHEME

The Company has a share option scheme that provides for the issuance of options to its directors, officers and employees. The detailed disclosures relating to the Company's share option scheme are set out in note 35 to the consolidated financial statements of the Company's Annual Report.

At 31 December 2017, the number of shares options had been granted and remained outstanding under the Share Option Scheme 2010 was 486,182,851 (adjusted as a result of the completion of rights issue on 18 July 2017), representing approximately 12.07% of the shares of the Company in issue at that date (2016: 433,020,000, representing approximately 15.05% of the shares of the Company in issue at 31 December 2016).

CONTINGENT LIABILITIES

As at 31 December 2017, the Company did not provide any form of guarantees for any companies and was not liable to any material legal proceedings of which provision for contingent liabilities was required.

DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

CAPITAL STRUCTURE

As at 31 December 2017, the authorised share capital of the Company was US\$160,000,000 divided into 16,000,000,000 ordinary shares of US\$0.01 each and the issued share capital was 4,026,925,163 ordinary shares of US\$0.01 each.

A rights issue of two rights shares for every five existing shares held by members on the register of members was completed on 18 July 2017, at an issue price of HK\$0.10 per rights share, resulting in the issue of 1,150,550,000 shares for a total cash consideration, before expenses, of HK\$115,055,000. Details of movements in the Company's share capital during the year, together with the reasons therefore, are set out in note 34 to the consolidated financial statements.

CAPITAL COMMITMENT AND SUBSTANTIAL INVESTMENTS

Details of capital commitments are set out in note 42 to the consolidated financial statements of the Company's Annual Report.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OF CAPITAL ASSETS

The Group expects that it will make significant capital expenditures on some of the build-operate-transfer ("BOT") business and property investments. BOT business is currently the most common heating business model in the PRC. The Group will promote this model in order to develop heating projects.

MAJOR ACQUISITIONS AND DISPOSALS

Details of major acquisitions and disposal transactions are set out in note 37 to the consolidated financial statement of the Company's annual report.

BUSINESS REVIEW

The Group has been devoted to research, development and promotion of geothermal 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 the emerging industry of integrated heating and cooling with geothermal energy.

Currently, the Group has developed three primary product systems, namely HYY Ground Energy Heat Pump Environmental System corresponding to the traditional heating, Distributed Ground Energy Station for Heating and Cooling corresponding to the central heating for city and HYY Ground Source Heating Device corresponding to the individual heating for rural households which cover different geological conditions, climate conditions, utility conditions, and building types, providing intelligent heating products with no combustion to different customers, making HYY a service provider of multicomponent system solutions.

With diversified products suitable for different environments, the Company is moving ahead constantly in heating industry, which has aroused the high interests of the governments at all levels and users gradually. In addition, President Xi Jinping emphasized to promote the clean heating in winter in northern regions when he presided over the 14th meeting of the Central Leading Group for Financial and Economic Affairs, and the governments at different levels should continue to devote greater efforts to implement the great course of "transiting from coal to clean energy" in 2017. The Group has improved and optimized the system design, product configuration and effectiveness, product security assurance, construction quality and others through active deployment. Different heating product series won the bids in different national key places implementing the policy of transiting from coal to clean energy, and for the coal-free (central heating with ground source heat pump) project obtained in Beijing in 2017, HYY signed contract with relevant enterprises to undertake the heating source of the thermodynamic system, with the contract sum of approximately RMB320 million. The Company also obtained some contracts on renovation projects in Beijing, Tianjin and Hebei for HYY Ground Source Heating Device (room heating), and the air-source heat pump (household heating) also won the bids for the heating system procurement and installation projects in rural villages of Huairou District, Shunyi District and Chaoyang District in Beijing, therefore, the overall income of the Group was improved steadily in 2017. Meanwhile, the Company has made great efforts to cooperate with the government to carry out efficient replacement of coal for construction of the central heating and self-heating infrastructure in cities and towns, and made the renewable shallow geothermal energy as the alternative energy for heating in the northern regions.

The HYY Ground Source Heating Device that self-developed by the Group inherits the thrifty tradition in China. It is characterized by source control, key guarantee, independent metering, and saving efficiency attributed to the doer. Under the premise of guaranteeing the total heat supply, the system can be simply copied and easily operated, is good for differentiated use guided by conservation behavior and greatly satisfied the rural household needs. HYY Ground Source Heating Device consists of four modules: geothermal energy collection, geothermal energy transmission, geothermal energy enhancement, and electrical control. In the geothermal energy collection module, the collection method is determined according to the energy demand of the building; the geothermal energy enhancement module uses the mature heat pump technology to enhance low-grade shallow geothermal energy to the desired high-grade one to heat the building through the terminal unit. Because no fossil fuel or combustion is involved during the energy collection, transmission, enhancement and release processes, electricity equivalent to only one-fourth of the total load is consumed. In addition, the unit can be started or stopped automatically according to the set temperature in the system during operation. The system can have COP of 4 or more. It has the following advantages. The first one is environmental advantage. An important cause for the generation of haze is the low-altitude emissions from large-scale and extensive burning in order to heat buildings, and such emissions contain harmful gases, dust and enormous heat and will become haze under suitable climatic conditions. The HYY Ground Source Heating Device gives off no emissions during the whole process and causes zero pollution to the application area. It contributes to the economic development and improvement of people's living quality while solving the ecological problems by eliminating the conditions for haze production from the source and pursuing harmonious coexistence of human and nature. The second one is technical advantage. The core of HYY Ground Source Heating Device that heats without combustion is the geothermal energy collection technologies of single-well circulation heat exchange and buried pipe. HYY owns all the own intellectual property rights to them. It has the industrialization feature of being highly adaptable to collect shallow geothermal energy (heat) with comparable costs under various geological conditions without pollution, water loss, or potential geological disasters. The third advantage is in the cost. The initial investment to apply the HYY Ground Source Heating Device of no-combustion for one room in size of 30m² or below is RMB8,000 or below, the electricity consumption is below 800 degree. It can heat and cool the buildings and guarantee the quality of turnkey project. HYY Ground Source Heating Device of no-combustion uses geothermal energy as alternative energy, with operating power consumption equivalent to 25% of that of traditional electric boiler, heating operating cost is equivalent to 17%; when applied for cooling, it saves 15%-20% of the energy consumption needed by the traditional central air-conditioning. The fourth advantage is safe operation. Compared with traditional heating methods that often require fire and explosion protection due to the burning of coal, oil and gas, the combustion-free integrated heating and cooling with geothermal energy only requires the safety of electricity use and is easy to operate, safe and reliable. The fifth advantage is standardization. The HYY Ground Source Heating Device has certain standard for reference to be fully market-oriented. A local standard titled the Technical Code on Geothermal Energy Collection Wells for Single-well Circulation Heat Exchange (DB11/T 935-2012) became effective on 1 April 2013, marking the industrialization of this original technology.

During the review period, we provided 35 service areas and toll stations located in different regions of Liaoning Expressway with shallow geothermal energy heating renovation services, and this was the first time for us to provide shallow geothermal energy heating application for major highway project. In addition, as our patented system has met the requirements of heating systems and buildings of Shanxi Yuncheng Nursing Vocational College (山西運城護理職業學院) which also satisfied with the government single source procurement requirements, the vocational college and HYY signed a contract for the investment in construction of intelligent combustion-free heating/cooling system with single well geothermal energy circulation and 10 years project operations services.

During the review period, Ever Source Investment Co., Ltd, a wholly-owned subsidiary of the Company participated in the establishment of Beijing Life Insurance Co., Limited (“Beijing Life Insurance”) as one of the promoters, with a contribution to Beijing Life Insurance of RMB142.99 million, accounting for 4.9997% of its share. In the same year, Beijing Life Insurance obtained the Approval on Commencement of Business of Beijing Life Insurance Co., Ltd.” issued by China Insurance Regulatory Commission (“CIRC”). The headquarters of Beijing Life Insurance have designed and selected HYY Ground Energy Heat Pump Environmental System as its heating, cooling and hot water supply system in the headquarters buildings.

During the review period, Ever Source Science and Technology Development Group Co., Ltd. has undergone rigorous review to pass the certification of many international standard systems including ISO9001, ISO14001 and OHSAS18001.

During the review period, the Company collaborated with a well-known software provider in developing a service platform named “Energy Cloud”, which serves as a unified data platform for sales, design, budgeting, procurement, construction, operation and maintenance of the Company. It finally realizes automated, intelligent and integrated information management in the Group’s projects.

OPERATIONAL CHALLENGES AND RISKS

- (i) The shallow geothermal energy serves as the alternative energy of heating, and the premise to ensure heating is to have proper design and construction quality assurance;
- (ii) The combination of stable energy supply and stable equipment can guarantee the indoor temperature, and the no-combustion and zero-emission can guarantee the outdoor environment in the regions;
- (iii) The heating is a life long guarantee for customers, and the core of the customer services is to the guarantee the heating operations.

BUSINESS OUTLOOK

The speech made by President Xi for heating in the northern regions: “Dominated by enterprises, promoted by government and affordable by residents”, which makes clear of the heating principle.” “Adopt gas if appropriate, adopt electricity if appropriate”, which points out the way to develop the clean energy by acting according to local conditions. The speech made by President Xi for heating in the northern regions promoted the transition of heating energy of the new era in northern regions (from burning the primary energy to regional renewable combustion free heating), the Group would prioritize the heat pump products for the northern regions on the basis of renewable shallow geothermal energy supply, promote the industrial development of integrated heating/cooling with geothermal energy, and manage and control the haze.

In the future, the Group would adhere to the market-oriented principle, meet the customers’ demands as the target, take the consultation service as the guidance, the technology integration as the basis and product manufacturing as the foundation and the application of demonstration project as the support, and continue to carry out and improve the technology and service capacity comprehensively, focus on the scientific research and development of the shallow geothermal energy as the alternative energy for heating as well as industrial development of the original technology, and put efforts to make the Company an optimal solution provider for smart heating/cooling system.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 15 of the GEM Listing Rules. During the year, the Company has complied with the Code except for the deviations which are explained as follows:–

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.

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.

Due to their engagement in other business, Mr. An Yi, the Joint Chairman of the Board, and Mr. Zhao Youmin, a non-executive Director, did not attend the extraordinary general meeting held on 8 December 2017. Mr. Jia Wenzeng, an independent non-executive Director and the chairman of the Audit Committee, Mr. Wu Qiang and Mr. Guo Qingui, both being the independent non-executive Director, did not attend the extraordinary general meeting held on 13 June 2017 and the adjourned annual general meeting held on 5 July 2017.

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

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

The Audit Committee currently comprises four independent non-executive directors of the Company, namely Mr. Jia Wenzeng (the chairman of the Audit Committee), Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui.

The Audit Committee has reviewed the Group's consolidated results for the year ended 31 December 2017 and has provided advice and comments thereon. The Audit Committee held five meetings during the year.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

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

Hong Kong, 28 March 2018

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.