



中國地熱能產業發展集團有限公司
CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019**

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

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This announcement, for which the directors of China Geothermal Industry Development Group Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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.

HIGHLIGHTS

Revenue for the nine months ended 30 September 2019 (the “Review Period”) amounted to approximately HK\$234,445,000.

Net loss after tax of the Group for the Review Period amounted to approximately HK\$52,170,000.

No dividend was declared for the Review Period.

FINANCIAL REVIEW

The following table provides a brief summary of the financial results of China Geothermal Industry Development 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 nine months ended 30 September 2018.

	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
– Shallow geothermal energy	81,434	95,947	164,176	361,370
– Air conditioning heat pump	47,571	14,047	61,989	14,114
– Property investment and development	1,972	3,762	8,280	16,794
	<u>130,977</u>	<u>113,756</u>	<u>234,445</u>	<u>392,278</u>
(Loss)/Profit for the period	<u>15,239</u>	<u>(1,110)</u>	<u>(52,170)</u>	<u>2,551</u>
(Loss)/Profit attributable to owners of the parent	<u>16,018</u>	<u>4,663</u>	<u>(49,682)</u>	<u>13,434</u>

During the Review Period, the Group's revenue amounted to approximately HK\$234,445,000 which was mainly contributed by shallow geothermal energy utilisation business as compared with that of approximately HK\$392,278,000 for the corresponding period last year. The revenue decreased by approximately HK\$157,833,000 as compared with that of corresponding period last year. The decrease in revenue of the shallow geothermal energy utilisation system was mainly attributable to: (i) the influence of the overall market, certain agreements of the budgeted projects had not been signed as expected and many of the contracts originally under negotiation were not realized; and (ii) the coal-to-electricity projects in the Beijing market, which was largely relied on in the past by the Company, has gradually saturated, and related revenues have declined significantly as compared to the same period last year. The Group's gross profit margin was maintained at a similar level as compared with the corresponding period last year. The gross profit margin was 29.6% for the nine months ended 30 September 2019, whereas it was 29.4% in the corresponding period last year.

Other income and gains increased from approximately HK\$2,346,000 in the corresponding period last year to approximately HK\$13,671,000 for the nine months ended 30 September 2019. This was mainly attributable to the adjustment regarding the waiver of the account payables and the increase in the interest income.

Selling and distribution expenses amounted to approximately HK\$17,968,000 and HK\$20,007,000 for the nine months ended 30 September 2019 and 2018 respectively. The selling and distribution expenses in the Review Period decreased as compared with the corresponding period last year due to the effective cost control of the Group.

During the Review Period, administrative expenses decreased by approximately HK\$16,271,000 or 18.7% as compared with that of nine months ended 30 September 2018. Administrative expenses decreased mainly due to the effective cost control by the Group, included the decrease in employee salary and benefit expenses by HK\$13,091,000.

Finance costs amounted to approximately HK\$32,824,000 was recorded for the nine months ended 30 September 2019 (including guarantee fee on bank loans amounted to approximately HK\$6,486,000) as compared with approximately HK\$35,777,000 for last corresponding period. The finance costs was mainly represented the interest expense on the loan.

For the nine months ended 30 September 2019, the loss for the period was approximately HK\$52,170,000, whereas profit was approximately HK\$2,551,000 for the corresponding period in last year.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the revenue of the Company amounted to approximately HK\$234,445,000, of which income of engineering construction accounted for approximately 62% of the total revenue, income of energy contract management accounted for approximately 4.5% of the total revenue, rental income of investment property accounted for approximately 3.5% of the total revenue, income of equipment sales accounted for approximately 30% of the total revenue.

The revenue of the Company for the period was still affected by the overall economic slowdown this year. The budgeted projects cannot be reached to agreement as expected, resulting in a significant decrease in the Group's revenue during the period under review as compared to the same period last year. In view of the Company's consideration of the gradually saturated Beijing market for the coal-to-electricity projects which was greatly relied on in the past by the Company, since the end of last year, the Company has deployed much resources to build demonstration projects in Hebei, Shanxi and Shandong with an aim to drive regional development and seek to new breakthroughs in the market. With the continuous efforts by the Company in the promotion of different markets, we have achieved some success in the relevant areas with the deployment. During the period under review, the Company obtained heating projects with a total of approximately 2,000 households in Boye and Dingzhou of Hebei province. The villagers installed the Company's HYY Ground Source Heating Device which can be used for both heating in winter and cooling in summer. It is characterized by source control, key guarantee, independent metering and saving efficiency attributed to the doer. In addition, the Company's intelligent heating/cooling project in Caicun Primary School in Daishan County, Shanxi Province and the geothermal heat pump system project in Juxing Community, Huimin County, Binzhou City, Shandong Province are also under construction.

At the end of September 2019, Beijing Daxing International Airport, the world's largest airport, was officially put into operation. The Company also participated in the construction of about 40% of the affiliated projects of the ground source heat pump station No. 2 of Daxing International Airport. The station's winter heating uses a combination of ground source heat pump and centralized gas boiler system to provide heating for the airport, while in summer it uses ground source heat pump, ice storage and conventional electric refrigeration method for cooling. The current energy supply area covering approximately 461,500 square meters, and the energy supply area will reach to approximately 1,150,000 square meters in future.

With the positive support of national policies, it is expected that the market of promotion and application of shallow geothermal energy will continuously expand, but at the same time, competition is expected to accelerate. We will gradually adjust the Group's operating structure, highlight the main business characteristics, and strengthen our project implementation and management capabilities, continuous to be innovative in technology so as to make the advantages of shallow geothermal heating and cooling more prominent. Users can be beneficial with a cleaner and better living environment.

FINANCIAL RESULTS

The Board of Directors (the “Board”) of China Geothermal Industry Development Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 2019 together with the unaudited comparative figures for the corresponding periods in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	130,977	113,756	234,445	392,278
Cost of sales		(82,396)	(112,202)	(165,102)	(277,144)
Gross profit		48,581	1,554	69,343	115,134
Other income and gains	3	824	871	13,671	2,346
Selling and distribution expenses		(5,997)	(5,897)	(17,968)	(20,007)
Administrative expenses		(22,226)	(25,275)	(70,763)	(87,034)
Impairment losses on trade and bills receivables, net		–	–	(2,887)	–
Impairment losses on prepayments, deposits and other receivables, net		–	–	(3,367)	–
Impairment losses on contract assets, net		–	–	(511)	–
Finance costs	4	(9,097)	(10,328)	(32,824)	(35,777)
Fair value changes on investment properties		–	56,247	1,318	57,314
Others expenses		(125)	–	(1,231)	–
Share of profits and losses of:					
A joint venture		70	273	216	547
Associates		3,993	(3,020)	(4,630)	(4,342)
Share-based payment expenses		–	(841)	–	(2,526)
(Loss)/profit before tax	5	16,023	13,584	(49,633)	25,655
Income tax expense	6	(784)	(14,694)	(2,537)	(23,104)
(Loss)/profit for the period		15,239	(1,110)	(52,170)	2,551
Attributable to:					
Owners of the parent		16,018	4,663	(49,682)	13,434
Non-controlling interests		(779)	(5,773)	(2,488)	(10,883)
		15,239	(1,110)	(52,170)	2,551
(Loss)/earnings per share attributable to ordinary equity holders of the parent	8	0.376	0.116	(1.211)	0.334
Basic and diluted (expressed in HK\$ cents)					

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2019

	Three months ended 30 September		Nine months ended 30 September	
<i>Notes</i>	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period	15,239	(1,110)	(52,170)	2,551
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	(19,108)	(49,366)	(20,937)	(64,757)
Share of other comprehensive income of a joint venture	10	20	7	29
Share of other comprehensive loss of associates	(254)	(187)	(146)	(232)
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Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	(19,352)	(49,533)	(21,076)	(64,960)
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Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:				
Equity instruments designated at fair value through other comprehensive income				
Changes in fair value, net of tax	719	45	4,770	3,380
Gain on property revaluation	–	–	3,381	1,808
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Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	719	45	8,151	5,188
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Other comprehensive loss for the period, net of tax	(18,633)	(49,488)	(12,925)	(59,772)
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Total comprehensive loss for the period	(3,394)	(50,598)	(65,095)	(57,221)
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Attributable to:				
Owners of the parent	(1,914)	(43,762)	(62,431)	(44,984)
Non-controlling interests	(1,480)	(6,836)	(2,664)	(12,237)
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	(3,394)	(50,598)	(65,095)	(57,221)
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2019

1. CORPORATE INFORMATION

China Geothermal Industry Development Group Limited (the “Company”) was incorporated in 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 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.

During the nine months ended 30 September 2019, 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. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations effective as of 1 January 2019. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from contracts with customers	129,005	109,994	226,165	375,484
Revenue from other sources				
Gross rental income	<u>1,972</u>	<u>3,762</u>	<u>8,280</u>	<u>16,794</u>
	<u>130,977</u>	<u>113,756</u>	<u>234,445</u>	<u>392,278</u>
Type of goods or service				
Sale, installation and maintenance of shallow geothermal energy utilisation system	81,434	95,947	164,176	361,370
Sale of air conditioning heat pump products	47,571	14,047	61,989	14,114
Rental income	<u>1,972</u>	<u>3,762</u>	<u>8,280</u>	<u>16,794</u>
Total revenue	<u>130,977</u>	<u>113,756</u>	<u>234,445</u>	<u>392,278</u>
Geographical markets				
Mainland China	<u>130,977</u>	<u>113,756</u>	<u>234,445</u>	<u>392,278</u>
Total revenue	<u>130,977</u>	<u>113,756</u>	<u>234,445</u>	<u>392,278</u>
Timing of revenue recognition				
Goods transferred at a point in time	47,571	14,047	61,989	14,114
Services transferred over time	<u>81,434</u>	<u>95,947</u>	<u>164,176</u>	<u>361,370</u>
Total revenue from contracts with customers	129,005	109,994	226,165	375,484
Rental income	<u>1,972</u>	<u>3,762</u>	<u>8,280</u>	<u>16,794</u>
Total revenue	<u>130,977</u>	<u>113,756</u>	<u>234,445</u>	<u>392,278</u>

	Three months ended		Nine months ended	
	30 September		30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income				
Interest income	491	27	2,177	220
Sale of scrap materials	286	85	443	410
Dividend income from financial assets at fair value through profit or loss	–	–	26	13
Government grants (<i>Note</i>)	38	724	903	820
Others	21	77	10,122	594
	<u>836</u>	<u>913</u>	<u>13,671</u>	<u>2,057</u>
Gains				
Fair value change on financial assets at fair value through profit or loss	(12)	(42)	–	289
	<u>(12)</u>	<u>(42)</u>	<u>–</u>	<u>289</u>
	<u>824</u>	<u>871</u>	<u>13,671</u>	<u>2,346</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.

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Interest on bank loans	6,262	8,031	23,931	28,570
Guarantee fee on bank loans	1,854	2,297	6,486	7,207
Interest on lease liabilities	981	–	2,407	–
	<u>9,097</u>	<u>10,328</u>	<u>32,824</u>	<u>35,777</u>

5. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Cost of inventories sold	52,224	12,733	65,018	12,779
Cost of services provided	30,172	99,469	100,084	264,365
Depreciation	1,571	2,569	9,976	7,684
Employee benefit expense (including directors' and chief executive remuneration)	18,608	23,707	54,624	67,715
Impairment losses on trade and bills receivables, net	–	–	2,887	–
Impairment losses on prepayments, deposits and other receivables, net	–	–	3,367	–
Impairment losses on contract assets	–	–	511	–
	<u>–</u>	<u>–</u>	<u>511</u>	<u>–</u>

6. INCOME TAX EXPENSE

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during both periods.

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 periods.

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 nine months ended 30 September 2019 (nine months ended 30 September 2018: 15%).

	Three months ended		Nine months ended	
	30 September	2018	30 September	2018
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Mainland China	784	646	1,462	8,874
Deferred	–	14,048	1,075	14,230
Total tax charge for the period	<u>784</u>	<u>14,694</u>	<u>2,537</u>	<u>23,104</u>

7. DIVIDENDS

No interim dividend was paid, declared or proposed during the nine months ended 30 September 2019, nor has any dividend been proposed since the end of the interim reporting period (nine months ended 30 September 2018: Nil).

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,103,212,000 (2018: 4,026,925,000) in issue during that period.

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 nine months ended 30 September 2019 and 2018.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the nine months ended 30 September 2019 and 2018 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

The calculation of the basic and diluted (loss)/earnings per share based on:

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/earnings				
(Loss)/profit for the period attributable to ordinary equity holders of the parent	<u>16,018</u>	<u>4,663</u>	<u>(49,682)</u>	<u>13,434</u>
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	<u>4,254,947</u>	<u>4,026,925</u>	<u>4,103,212</u>	<u>4,026,925</u>

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

For the nine months ended 30 September 2019

	Attributable to owners of the parent												Total equity
	Share capital	Share premium	Statutory reserve	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-option reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	
	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 2018 (audited)	313,793	903,884	2,935	42,998	154,381	2,975	32,812	46,029	23,753	103,650	1,627,210	59,820	1,687,030
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	13,434	13,434	(10,883)	2,551
Other comprehensive income/(loss) for the period	-	-	-	1,808	-	-	3,380	-	(63,606)	-	(58,418)	(1,354)	(59,772)
Total comprehensive income/(loss) for the period	-	-	-	1,808	-	-	3,380	-	(63,606)	13,434	(44,984)	(12,237)	(57,221)
Share-based payments	-	-	-	-	-	-	-	2,526	-	-	2,526	-	2,526
At 30 September 2018 (unaudited)	<u>313,793</u>	<u>903,884</u>	<u>2,935</u>	<u>44,806</u>	<u>154,381</u>	<u>2,975</u>	<u>36,192</u>	<u>48,555</u>	<u>(39,853)</u>	<u>117,084</u>	<u>1,584,752</u>	<u>47,583</u>	<u>1,632,335</u>
	Attributable to owners of the parent												
	Share capital	Share premium	Statutory reserve	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-option reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2018 (audited)	313,793	904,470	2,935	48,358	154,381	2,975	13,449	49,117	(25,570)	(412,514)	1,051,394	33,468	1,084,862
Effect of adoption of HKFRS 16	-	-	-	-	-	-	-	-	-	35,037	35,037	-	35,037
At 1 January 2019 (unaudited)	<u>313,793</u>	<u>904,470</u>	<u>2,935</u>	<u>48,358</u>	<u>154,381</u>	<u>2,975</u>	<u>13,449</u>	<u>49,117</u>	<u>(25,570)</u>	<u>(377,477)</u>	<u>1,086,431</u>	<u>33,468</u>	<u>1,119,899</u>
Loss for the period	-	-	-	-	-	-	-	-	-	(49,682)	(49,682)	(2,488)	(52,170)
Other comprehensive income/(loss) for the period	-	-	-	3,381	-	-	4,770	-	(20,900)	-	(12,749)	(176)	(12,925)
Total comprehensive income/(loss) for the period	-	-	-	3,381	-	-	4,770	-	(20,900)	(49,682)	(62,431)	(2,664)	(65,095)
Issue of shares	19,625	-	-	-	-	-	-	-	-	-	19,625	-	19,625
Business combination involving entities not under common control	-	-	-	-	-	-	-	-	-	-	-	1,644	1,644
At 30 September 2019 (unaudited)	<u>333,418</u>	<u>904,470</u>	<u>2,935</u>	<u>51,739</u>	<u>154,381</u>	<u>2,975</u>	<u>18,219</u>	<u>49,117</u>	<u>(46,470)</u>	<u>(427,159)</u>	<u>1,043,625</u>	<u>32,448</u>	<u>1,076,073</u>

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

As at 30 September 2019, 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	711,646,600 (L)		16.64%	37,725,148 (L)	750,354,548 (L)	17.54%
	Interest of spouse	982,800 (L)		0.02%	–		
Ms. Chan Wai Kay Katherine (Note 2)	Beneficial owner	58,290,400 (L)		1.36%	43,788,119 (L)	116,182,119 (L)	2.72%
	Interest of spouse	14,103,600 (L)		0.33%	–		
Mr. Wang Manquan (Note 3)	Beneficial owner	716,800 (L)		0.02%	30,314,851 (L)	31,031,651 (L)	0.73%
Mr. Wang Michael Zhiyu (Note 4)	Interest of spouse	250,000,000 (L)		5.85%	–	250,000,000 (L)	5.85%
Mr. Jia Wenzeng (Note 5)	Beneficial owner	–		–	4,827,920 (L)	4,827,920 (L)	0.11%
Mr. Wu Dehsheng (Note 6)	Beneficial owner	–		–	3,143,762 (L)	3,143,762 (L)	0.07%

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

Notes:

1. Mr. Xu Shengheng (“Mr. Xu”) is interested in 711,646,600 Shares (the “Shares”) of the Company and 37,725,148 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 982,800 Shares. Therefore, under the SFO, Mr. Xu is deemed to be interested in 982,800 Shares in which Ms. Luk is interested.
2. Ms. Chan Wai Kay Katherine (“Ms. Chan”) is interested in 58,290,400 shares and 43,788,119 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. Mr. Chow Ming Joe Raymond (“Mr. Chow”), spouse of Ms. Chan, holds 14,103,600 Shares. Under the SFO, Ms. Chan is deemed to be interested in 14,103,600 Shares in which Mr. Chow is interested.
3. Mr. Wang Manquan is interested 716,800 Shares and 30,314,851 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. Ms. Liu Ening (“Ms. Liu”), the spouse of Mr. Wang Michael Zhi Yu (“Mr. Wang”), holds 250,000,000 Shares. Therefore, under the SFO, Mr. Wang is deemed to be interested in 250,000,000 Shares in which Ms. Liu is interested.
5. Mr. Jia Wenzeng is interested in 4,827,920 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.
6. Mr. Wu Desheng is interested in 3,143,762 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section.

(b) Long Positions under Equity Derivatives

The Share Option Plan

On 28 July 2010, the Company, by a shareholders’ resolution, conditionally adopted a new share option scheme (the “Share Option Plan”) for a period of ten years from the date on which the Share Option Plan became unconditional. On 7 August 2010, the Share Option Plan became unconditional and effective. Pursuant to the Share Option Plan, the board of directors was authorised, at its absolute discretion, to grant options to eligible participants, including directors of the Company or any of its subsidiaries, as defined in accordance with the terms of the Share Option Plan, to subscribe for shares in the Company under the terms of the Share Option Plan. As at 30 September 2019, the following directors and chief executive of the Company were interested in the following options under the Share Option Plan:

Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 30 September 2019
Mr. Xu Shengheng	9 September 2010	9 September 2010 to 8 September 2020	0.379	13,024,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Ms. Chan Wai Kay Katherine	9 September 2010	9 September 2010 to 8 September 2020	0.379	19,087,129
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Mr. Wang Manquan	9 September 2010	9 September 2011 to 8 September 2020	0.379	1,871,288
		9 September 2012 to 8 September 2020	0.379	1,871,288
		9 September 2013 to 8 September 2020	0.379	1,871,285
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.379	1,684,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762
Mr. Wu Desheng	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762

Save as disclosed above, as at 30 September 2019, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30 September 2019, 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 (<i>Note 1</i>)	Beneficial owner	1,190,000,000 (L)		27.82%	-	1,190,000,000 (L)	27.82%
China Energy Conservation and Environmental Protection Group (<i>Note 1</i>)	Interest of controlled corporation	1,190,000,000 (L)		27.82%	-	1,190,000,000 (L)	27.82%
Ms. Luk Hoi Man (<i>Note 2</i>)	Beneficial owner	982,800 (L)		0.02%	-	750,354,548 (L)	17.54%
	Interest of spouse	711,646,600 (L)		16.64%	37,725,148 (L)		
Ms. Liu Ening	Beneficial owner	250,000,000 (L)		5.85%	-	250,000,000 (L)	5.85%

(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 1,190,000,000 Shares.
- Ms. Luk Hoi Man (“Ms. Luk”), the spouse of Mr. Xu Shengheng (“Mr. Xu”), holds 982,800 Shares. Mr. Xu is interested in 711,646,600 Shares and 37,725,148 Shares issuable pursuant to exercise of share options of the Company. Therefore, under SFO, Ms. Luk is deemed to be interested in 711,646,600 Shares and 37,725,148 underlying shares issuable upon the exercise of the share options of the Company in which Mr. Xu is interested.

Save as disclosed above, as at 30 September 2019, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

OUTSTANDING SHARE OPTIONS

As at 30 September 2019, options to subscribe for an aggregate of 486,182,851 shares were outstanding (including the directors and chief executive of the Company as disclosed above). Details of which as at 30 September 2019 were as follows:

Name	Date of grant of share options	As at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 September 2019	Vesting period of share options	Exercise period of share options	Exercise price per share HK\$
<u>Directors</u>									
Mr. Xu Shengheng	9 September 2010	13,024,158	-	-	-	13,024,158	-	9 September 2010 to 8 September 2020	0.379
	8 December 2016	24,700,990	-	-	-	24,700,990	-	8 December 2016 to 31 December 2020	0.267
Ms. Chan Wai Kay Katherine	9 September 2010	19,087,129	-	-	-	19,087,129	-	9 September 2010 to 8 September 2020	0.379
	8 December 2016	24,700,990	-	-	-	24,700,990	-	8 December 2016 to 31 December 2020	0.267
Mr. Wang Manquan	9 September 2010	1,871,288	-	-	-	1,871,288	9 September 2010 to 8 September 2011	9 September 2011 to 8 September 2020	0.379
	9 September 2010	1,871,288	-	-	-	1,871,288	9 September 2010 to 8 September 2012	9 September 2012 to 8 September 2020	0.379
	9 September 2010	1,871,285	-	-	-	1,871,285	9 September 2010 to 8 September 2013	9 September 2013 to 8 September 2020	0.379
	8 December 2016	24,700,990	-	-	-	24,700,990	-	8 December 2016 to 31 December 2020	0.267
Mr. Jia Wenzeng	9 September 2010	1,684,158	-	-	-	1,684,158	-	9 September 2010 to 8 September 2020	0.379
	8 December 2016	3,143,762	-	-	-	3,143,762	-	8 December 2016 to 31 December 2020	0.267
Mr. Wu Desheng	8 December 2016	3,143,762	-	-	-	3,143,762	-	8 December 2016 to 31 December 2020	0.267
<u>Employees</u>									
	9 September 2010	22,778,804	-	-	-	22,778,804	-	9 September 2010 to 8 September 2020	0.379
	9 September 2010	33,683,168	-	-	-	33,683,168	9 September 2010 to 8 September 2011	9 September 2011 to 8 September 2020	0.379
	9 September 2010	33,683,168	-	-	-	33,683,168	9 September 2010 to 8 September 2012	9 September 2012 to 8 September 2020	0.379
	9 September 2010	33,683,170	-	-	-	33,683,170	9 September 2010 to 8 September 2013	9 September 2013 to 8 September 2020	0.379
	8 December 2016	121,277,370	-	-	-	121,277,370	8 December 2016 to 7 December 2017	8 December 2017 to 31 December 2020	0.267
	8 December 2016	121,277,371	-	-	-	121,277,371	8 December 2016 to 7 December 2018	8 December 2018 to 31 December 2020	0.267
		<u>486,182,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,182,851</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, risk management and internal control systems 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. Xu Shengheng, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Dai Qi as executive Directors, Mr. Yang Wei and Mr. Wang Michael Zhi Yu as non-executive Directors, 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 Geothermal Industry Development Group Limited
Xu Shengheng
Joint Chairman & Executive Director

Hong Kong, 14 November 2019

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