



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

CHARACTERISTICS OF THE 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 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 six months ended 30 June 2020 (the “Review Period”) amounted to approximately HK\$117,630,000.

Net profit after tax of the Group for the Review Period amounted to approximately HK\$14,860,000.

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 six months ended 30 June 2019.

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
– Shallow geothermal energy	50,504	17,936	91,776	82,742
– Air conditioning/shallow geothermal heat pump	18,426	14,207	18,426	14,418
– Property investment and development	3,760	2,436	7,428	6,308
	72,690	34,579	117,630	103,468
Profit/(loss) for the period	33,657	(47,860)	14,860	(67,409)
Profit/(loss) attributable to owners of the parent	27,325	(46,207)	9,173	(65,700)

During the Review Period, the Group's revenue amounted to approximately HK\$117,630,000 which was mainly contributed by shallow geothermal energy utilisation business and approximately HK\$103,468,000 for the corresponding period last year. The revenue increased by approximately HK\$14,162,000 as compared with that of corresponding period last year. As the projects not implemented as scheduled in the first quarter was implemented in the second quarter, and although the repeated outbreak of the epidemic in Beijing, the Group has won the bids for projects in other regions particularly the coal-to-electricity project in Hebei Province such as, Qingyuan District, Li County of Baoding City, Longyao County and Ningjin City of Xing Tai City and other regions, which supported the Group's operating performance in the first half of the year, resulting in an increase of approximately 14% in the Group's revenue over the same period last year. At the same time, the Group has strengthened the cost control, therefore the gross profit margin has increased compared with the same period last year. The Group's gross profit margin increased from 20% in the last corresponding period to 37% in the current period.

Other income and gains increased from approximately HK\$12,847,000 in the corresponding period last year to approximately HK\$24,898,000 for the six months ended 30 June 2020. This was mainly attributable to the waiver of the account payables.

Selling and distribution expenses amounted to approximately HK\$8,400,000 and HK\$11,971,000 for the six months ended 30 June 2020 and 2019 respectively. The selling and distribution expenses for the Review Period decreased as compared with the corresponding period last year due to less selling activities during the preview period.

During the Review Period, administrative expenses decreased by approximately HK\$8,980,000 or 19% as compared with that of six months ended 30 June 2019. Administrative expenses decreased mainly due to the effective cost control by the Group, included the decrease in legal fee and staff welfare by HK\$1,349,000 and HK\$2,957,000 respectively. The number of staff also dropped as compared with last year.

Finance costs amounted to approximately HK\$10,337,000 for the six months ended 30 June 2020 as compared with approximately HK\$23,727,000 for last corresponding period. The finance costs mainly represented the borrowing costs on the loan.

For the six months ended 30 June 2020, the profit for the period was approximately HK\$14,860,000, whereas the loss was approximately HK\$67,409,000 for the corresponding period last year.

Order Book

As at 30 June 2020, the Group has contracts on hand of approximately HK\$492,000,000.

Investment Properties

The Group's investment properties as at 30 June 2020 were valued at HK\$671,036,000. An increase in fair value of investment properties of approximately HK\$6,212,000 (six months ended 30 June 2019: approximately HK\$1,318,000) was recognised directly in profit or loss by the Group during the Review Period. The amounts of investment properties included in non-current assets held for sale and assets of a disposal group classified as held for sale were HK\$73,253,000 and HK\$154,586,000, respectively.

Liquidity, Capital Structure and Gearing Ratio

Net current liabilities of the Group as at 30 June 2020 was approximately HK\$379,936,000 (31 December 2019: approximately HK\$624,790,000). In June 2020, the Group obtained loans in the principal amount of RMB400,000,000 (equivalent to approximately HK\$437,920,000) from China Construction Bank Corporation. The loan bears interest at 4% per annum and is repayable in June 2021 according to the loan agreement.

As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$78,124,000 (31 December 2019: approximately HK\$56,871,000). Cash and cash equivalents on the condensed consolidated statement of financial position include funds available for general corporate purposes.

Non-controlling interests amounted to approximately HK\$35,950,000 which mainly represents the interests attributable to non-controlling shareholders of the Group's subsidiaries in the PRC.

The gearing ratio of the Group, based on total net debt (including interest-bearing bank borrowings, lease liabilities, 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 61% as at 30 June 2020 (31 December 2019: 59%).

Charges on asset

As at 30 June 2020, certain of Group's buildings with a net carrying amount of approximately HK\$8,912,000 were pledged to obtain a bank loan (31 December 2019: HK\$9,087,000).

In June 2020, in order to obtain the bank loan of RMB400,000,000 as above mentioned, the Group pledged its following assets to China Energy Conservation and Environmental Protection Group* (中國節能環保集團有限公司) (“CECEP”), a major shareholder of the Company, in return for CECEP to provide guarantee in favour of the bank for securing the bank loan for the Group.

- 1) China Asset Management – Ever Source Overseas Oriented Asset Management Plan* (華夏基金－恆有源海外定向資產管理計劃) with a carrying value of approximately HK\$53,890,000.
- 2) Equity interest in Beijing Life Insurance Co., Ltd. with a carrying value of approximately HK\$176,263,000.
- 3) Equity interests in one of the indirect wholly owned subsidiary of the Group, Heng Run Feng Reality (Dalian) Company Ltd. with a carrying value of net assets of approximately HK\$148,524,000.

Treasury Policies

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

Contingent Liabilities

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: Nil).

Employees

As at 30 June 2020, the Group has approximately 450 employees in total (31 December 2019: approximately 580). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

BUSINESS REVIEW AND OUTLOOK

In the second quarter of 2020, the Group actively implemented the “Double Assurance” goal of “not only ensuring the epidemic prevention and safety of employees, but also ensuring that the Company resumes its normal operations, and makes every effort to develop the market of alternative energy for heating”. While in ensuring the health and safety of employees and customers, it actively explored the regional market in Beijing and surrounding area of Hebei Province and achieved the performance better than expected. As of the end of the second quarter, the revenue of the Group increased by approximately 14% compared to the same period in 2019.

In the second quarter, in order to deal with the negative impact and financial pressure caused by the new coronavirus pneumonia epidemic, the Group actively began to sell the assets of the industrial park. In March and May of this year, it entered into transfer agreements with relevant companies in Beijing and Hangzhou to respectively transfer the Company’s industrial park properties in Beijing and the properties in Hangzhou to the relevant companies. These transactions are currently undergoing relevant approval procedures and it is expected that they would bring about RMB250 million of cash inflow to the Group. While ensuring the operation of the Group, it can also repay part of the bank loans, thereby reducing the overall financial cost of the Group.

Influenced by the new coronavirus pneumonia epidemic, the Group’s business development was affected to a certain extent, but it also gave the Group the opportunity to tap its internal potential and strengthen its financial management. During the epidemic, the Company reviewed the current situation with a large number of small-scale supplier and subcontracting teams, enhanced payment authorization management, clarified the management responsibilities of the Group’s business department.

In the second quarter, the Group continued to adopt rigorous anti-epidemic prevention and control measures, including restricting the flow of people in and out of the company, shifting personnel on duty, temperature checking, strengthening disinfection and cleaning, and strictly complying with the government’s quarantine regulations on entry from outside. For employees working in Hong Kong, flexible working hours is implemented to ensure that all types of staff work in a healthy and safe environment. So far, no staff of the Group has been infected with the epidemic.

Although the Group’s financial results in the second quarter has increased as compared with the same period last year, there is still a big gap between the actual results versus the whole year budget. However, it is gratifying that the operation of the Group in the second quarter has basically resumed to its normal track. With an aim to achieve the goal in third quarter of “ensuring not only the epidemic prevention and safety of employees, but also the provision of cooling in summer as well as the normal business operation”. All employees of the Company will continue to implement anti-epidemic prevention and control measures and do their best to achieve the business targets of this year.

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 six months ended 30 June 2020 together with the unaudited comparative figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	72,690	34,579	117,630	103,468
Cost of sales		(37,810)	(23,618)	(74,490)	(82,706)
Gross profit		34,880	10,961	43,140	20,762
Other income and gains	4	18,833	1,577	24,898	12,847
Selling and distribution expenses		(512)	(5,333)	(8,400)	(11,971)
Administrative expenses		(14,558)	(23,559)	(39,557)	(48,537)
Reversal/(provision) of impairment losses on trade and bills receivables, net		49	(7,408)	3,437	(2,887)
Impairment losses on prepayments, other receivables and other assets, net		-	(3,367)	-	(3,367)
(Provision)/reversal of impairment losses on contract assets, net		-	(511)	6,799	(511)
Finance costs	5	(4,482)	(12,139)	(10,337)	(23,727)
Fair value changes on investment properties		6,212	1,318	6,212	1,318
Other expenses		(3,392)	(1,106)	(3,392)	(1,106)
Share of profits and losses of:					
A joint venture		-	446	-	146
Associates		(1,571)	(7,762)	(6,097)	(8,623)
Profit/(loss) before tax	6	35,459	(46,883)	16,703	(65,656)
Income tax expense	7	(1,802)	(977)	(1,843)	(1,753)
Profit/(loss) for the period		33,657	(47,860)	14,860	(67,409)
Attributable to:					
Owners of the parent		27,325	(46,207)	9,173	(65,700)
Non-controlling interests		6,332	(1,653)	5,687	(1,709)
		33,657	(47,860)	14,860	(67,409)
Earnings/(loss) per share attributable to ordinary equity holders of the parent	9	0.614	(1.147)	0.204	(1.632)
Basic and diluted (expressed in HK\$ cents)					

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	33,657	(47,860)	14,860	(67,409)
Other comprehensive income/(loss):				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	21,218	(18,146)	(13,700)	(1,829)
Share of other comprehensive loss of a joint venture	-	(4)	-	(3)
Share of other comprehensive income/(loss) of associates	40	105	(43)	108
Net other comprehensive profit/(loss) that may be reclassified to profit or loss in subsequent periods	21,258	(18,045)	(13,743)	(1,724)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:				
Equity investments designated at fair value through other comprehensive income				
Changes in fair value, net of tax	(2,780)	4,048	(2,780)	4,051
Gains on property revaluation	436	3,381	436	3,381
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	(2,344)	7,429	(2,344)	7,432
Other comprehensive income/(loss) for the period, net of tax	18,914	(10,616)	(16,087)	5,708
Total comprehensive profit/(loss) for the period	52,571	(58,476)	(1,227)	(61,701)
Attributable to:				
Owners of the parent	43,272	(56,360)	(9,138)	(60,517)
Non-controlling interests	9,299	(2,116)	7,911	(1,184)
	52,571	(58,476)	(1,227)	(61,701)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

	<i>Notes</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	<i>10</i>	289,465	301,502
Investment properties	<i>10</i>	443,197	677,933
Right-of-use assets		2,051	2,579
Deposits paid for acquisitions of land use rights		26,696	27,221
Investments in associates		45,056	51,542
Equity investments designated at fair value through other comprehensive income		232,006	239,406
Deferred tax assets		5,097	4,990
Contract assets		18,794	18,794
Trade receivables		58,404	57,029
		<hr/>	<hr/>
Total non-current assets		1,120,766	1,380,996
Current Assets			
Inventories		29,605	28,996
Properties held for sales		86,855	88,796
Trade and bills receivables	<i>11</i>	54,073	53,401
Prepayments, other receivables and other assets		191,594	172,278
Contract assets		170,608	167,897
Amounts due from related companies		881	517
Financial assets at fair value through profit or loss		43	48
Time deposits		232	232
Restricted cash		5,286	5,636
Cash and cash equivalents		78,124	56,871
Non-current assets held for sale	<i>13</i>	73,253	–
		<hr/>	<hr/>
Assets of a disposal group classified as held for sale	<i>14</i>	154,761	–
		<hr/>	<hr/>
Total current assets		845,315	574,672

	<i>Notes</i>	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Current Liabilities			
Trade and bills payables	12	261,640	309,476
Other payables and accruals		275,144	189,840
Contract liabilities		38,431	43,807
Amounts due to associates		15,692	21,293
Amounts due to related companies		40,077	479,184
Interest-bearing bank borrowings		443,941	6,140
Lease liabilities		756	1,648
Tax payable		140,332	148,074
		<u>1,216,013</u>	1,199,462
Liabilities directly associated with the assets classified as held for sale	14	<u>9,238</u>	–
Total current liabilities		<u>1,225,251</u>	1,199,462
Net Current Liabilities		<u>(379,936)</u>	(624,790)
Total Assets Less Current Liabilities		<u>740,830</u>	756,206
Non-Current Liabilities			
Other payables and accruals		8,758	8,542
Lease liabilities		1,203	511
Deferred income		7,544	8,931
Deferred tax liabilities		68,123	74,117
Total non-current liabilities		<u>85,628</u>	92,101
Net assets		<u>655,202</u>	664,105
Equity			
Equity attributable to owners of the parent			
Share capital	15	353,043	353,043
Shares held for Share Awards Scheme		(7,676)	–
Other reserves		273,885	283,023
		<u>619,252</u>	636,066
Non-controlling interests		<u>35,950</u>	28,039
Total equity		<u>655,202</u>	664,105

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the parent												
	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000	Asset revaluation reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity 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)	313,793	904,470	2,935	48,358	154,381	2,975	13,449	49,117	(25,570)	(377,477)	1,086,431	33,468	1,119,899
Loss for the period	-	-	-	-	-	-	-	-	-	(65,700)	(65,700)	(1,709)	(67,409)
Other comprehensive income/(loss) for the period	-	-	-	3,381	-	-	4,051	-	(2,249)	-	5,183	525	5,708
Total comprehensive income/(loss) for the period	-	-	-	3,381	-	-	4,051	-	(2,249)	(65,700)	(60,517)	(1,184)	(61,701)
At 30 June 2019 (unaudited)	<u>313,793</u>	<u>904,470*</u>	<u>2,935*</u>	<u>51,739*</u>	<u>154,381*</u>	<u>2,975*</u>	<u>17,500*</u>	<u>49,117*</u>	<u>(27,819)*</u>	<u>(443,177)*</u>	<u>1,025,914</u>	<u>32,284</u>	<u>1,058,198</u>

	Attributable to owners of the parent													
	Share Capital HK\$'000	Share Premium HK\$'000	Shares held for Share Awards Scheme HK\$'000	Statutory reserve HK\$'000	Assets revaluation reserve HK\$'000	Contributed Surplus HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2020 (audited)	353,043	904,845	-	2,935	42,616	154,381	7,553	17,876	49,117	(42,747)	(853,553)	636,066	28,039	664,105
Profit for the period	-	-	-	-	-	-	-	-	-	-	9,173	9,173	5,687	14,860
Other comprehensive income/(loss) for the period	-	-	-	-	436	-	-	(2,780)	-	(15,967)	-	(18,311)	2,224	(16,087)
Total comprehensive income/(loss) for the period	-	-	-	-	436	-	-	(2,780)	-	(15,967)	9,173	(9,138)	7,911	(1,227)
Shares purchased for Share Awards Scheme	-	-	(7,676)	-	-	-	-	-	-	-	-	(7,676)	-	(7,676)
At 30 June 2020 (unaudited)	<u>353,043</u>	<u>904,845*</u>	<u>(7,676)</u>	<u>2,935*</u>	<u>43,052*</u>	<u>154,381*</u>	<u>7,553*</u>	<u>15,096*</u>	<u>49,117*</u>	<u>(58,714)*</u>	<u>(844,380)*</u>	<u>619,252</u>	<u>35,950</u>	<u>655,202</u>

* These reserve accounts comprise the consolidated reserves of HK\$273,885,000 (31 December 2019: HK\$283,023,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash flows used in operating activities	(43,497)	(38,951)
Net cash flows from/(used in) investing activities	122,119	(9,973)
Net cash flows (used in)/from financing activities	(52,993)	17,082
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	25,629	(31,842)
Cash and cash equivalents at the beginning of period	56,871	72,934
Effect of foreign exchange rate changes, net	(4,365)	(112)
Cash and cash equivalents attributable to a disposal group	(11)	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of period	<u>78,124</u>	<u>40,980</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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 8/F, Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong respectively.

During the six months ended 30 June 2020, the Group was involved in the following principal activities:

- Provision, installation and maintenance of shallow geothermal energy utilisation system
- Trading of air conditioning/shallow geothermal heat pump products
- Investment in properties for their 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 six months ended 30 June 2020 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 Accounting Standard 34 (“**HKAS 34**”), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated financial statements 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 2019.

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 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period's financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The nature and impact of the new and revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedge relationships.

- (c) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.

- (d) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's condensed consolidated financial statements.

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/shallow geothermal heat pump segment – trading of air conditioning/shallow geothermal heat pump products;
- (c) Property investment and development segment – investments in properties for their 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, and non-lease-related finance costs are excluded from such measurement.

Segment assets exclude certain investments in associates, deferred tax assets, time deposits, restricted cash and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude certain amounts due to associates and related companies, 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.

(a) Segment revenue and results

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2020 and 2019, respectively:

	Shallow geothermal energy		Air conditioning/Shallow geothermal heat pump		Property investment and development		Securities investment and trading		Total	
	Six months ended 30 June 2020	2019	Six months ended 30 June 2020	2019	Six months ended 30 June 2020	2019	Six months ended 30 June 2020	2019	Six months ended 30 June 2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 4)										
Sales to external customers	91,776	82,742	18,426	14,418	7,428	6,308	-	-	117,630	103,468
Intersegment sales	-	-	7,223	5,201	-	-	-	-	7,223	5,201
	91,776	82,742	25,649	19,619	7,428	6,308	-	-	124,853	108,669
Reconciliation:										
Elimination of intersegment sales									(7,223)	(5,201)
Revenue									117,630	103,468
Segment results	26,594	(38,605)	1,129	174	14,920	6,045	(813)	12	41,830	(32,374)
Reconciliation:										
Elimination of intersegment results									(463)	(686)
Share of profits or losses of associates									(6,097)	(8,623)
Share of profits or losses of a joint venture									-	146
Unallocated other income									10,236	12,335
Corporate and other unallocated expenses									(18,526)	(14,153)
Finance costs (other than interest on lease liabilities)									(10,277)	(22,301)
Profit/(loss) before tax									16,703	(65,656)

(b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2020 and 31 December 2019, respectively:

	30 June 2020				
	Shallow geothermal energy <i>HK\$'000</i> (Unaudited)	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i> (Unaudited)	Property investment and development <i>HK\$'000</i> (Unaudited)	Securities investment and trading <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment assets	763,346	53,964	891,491	236,914	1,945,715
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(149,911)
Corporate and other unallocated assets					170,277
Total assets					<u>1,966,081</u>
Segment liabilities	537,429	56,784	244,987	11,288	850,488
<i>Reconciliation:</i>					
Elimination of intersegment payables					(149,911)
Corporate and other unallocated liabilities					610,302
Total liabilities					<u>1,310,879</u>
	31 December 2019				
	Shallow geothermal energy <i>HK\$'000</i> (Audited)	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i> (Audited)	Property investment and development <i>HK\$'000</i> (Audited)	Securities investment and trading <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
Segment assets	692,899	55,001	981,953	241,280	1,971,133
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(138,887)
Corporate and other unallocated assets					123,422
Total assets					<u>1,955,668</u>
Segment liabilities	475,034	56,875	156,381	11,542	699,832
<i>Reconciliation:</i>					
Elimination of intersegment payables					(138,887)
Corporate and other unallocated liabilities					730,618
Total liabilities					<u>1,291,563</u>

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	68,930	32,143	110,202	97,160
<i>Revenue from other sources</i>				
Gross rental income	3,760	2,436	7,428	6,308
	72,690	34,579	117,630	103,468

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Shallow	Air	Total
	geothermal	conditioning/ shallow	
	energy	geothermal	
	<i>HK\$'000</i>	heat pump	<i>HK\$'000</i>
	(Unaudited)	<i>HK\$'000</i>	(Unaudited)
	(Unaudited)	(Unaudited)	(Unaudited)
Types of goods or services:			
Sale of industrial products	–	18,426	18,426
Construction services	91,776	–	91,776
Total revenue from contracts with customers	91,776	18,426	110,202
Geographical markets:			
Mainland China	91,776	18,426	110,202
Timing of revenue recognition:			
Goods transferred at a point in time	–	18,426	18,426
Services transferred over time	91,776	–	91,776
Total revenue from contracts with customers	91,776	18,426	110,202

For the six months ended 30 June 2019

Segments	Shallow geothermal energy <i>HK\$'000</i> (Unaudited)	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
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Types of goods or services:

Sale of industrial products	–	14,418	14,418
Construction services	82,742	–	82,742

Total revenue from contracts with customers	<u>82,742</u>	<u>14,418</u>	<u>97,160</u>
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Geographical markets:

Mainland China	<u>82,742</u>	<u>14,418</u>	<u>97,160</u>
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Timing of revenue recognition:

Goods transferred at a point in time	–	14,418	14,418
Services transferred over time	82,742	–	82,742

Total revenue from contracts with customers	<u>82,742</u>	<u>14,418</u>	<u>97,160</u>
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Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2020

Segments	Shallow geothermal energy <i>HK\$'000</i> (Unaudited)	Air conditioning/ shallow geothermal heat pump <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers:			
External customers	91,776	18,426	110,202
Intersegment sales	–	7,223	7,223
	<u>91,776</u>	<u>25,649</u>	<u>117,425</u>
Intersegment adjustments and eliminations	–	(7,223)	(7,223)
Total revenue from contracts with customers	<u>91,776</u>	<u>18,426</u>	<u>110,202</u>

For the six months ended 30 June 2019

Segments	Shallow geothermal energy <i>HK\$'000</i> (Unaudited)	Air conditioning/ Shallow geothermal heat pump <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers:			
External customers	82,742	14,418	97,160
Intersegment sales	–	5,201	5,201
	82,742	19,619	102,361
Intersegment adjustments and eliminations	–	(5,201)	(5,201)
Total revenue from contracts with customers	<u>82,742</u>	<u>14,418</u>	<u>97,160</u>

	Three months ended 30 June		Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Other income				
Interest income	43	1,177	109	1,686
Sale of scrap materials	375	38	375	157
Dividend income from financial assets at fair value through profit or loss	–	26	–	26
Dividend income from equity investment designated at fair value through other comprehensive income	3,033	–	3,033	–
Government grants (<i>Note</i>)	567	853	2,874	865
Waive of trade payables	16,629	–	16,629	–
Others	(1,814)	(529)	1,878	10,101
	<u>18,833</u>	<u>1,565</u>	<u>24,898</u>	<u>12,835</u>
Gains				
Fair value change on financial assets at fair value through profit or loss	–	12	–	12
	–	12	–	12
	<u>18,833</u>	<u>1,577</u>	<u>24,898</u>	<u>12,847</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:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans	4,451	8,420	10,277	17,669
Guarantee fee on other borrowings	–	2,293	–	4,632
Interest on lease liabilities	31	1,426	60	1,426
	<u>4,482</u>	<u>12,139</u>	<u>10,337</u>	<u>23,727</u>

6. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	–	12,794	16,259	12,794
Cost of services provided	37,810	10,824	58,231	69,912
Depreciation	4,267	5,060	7,754	8,405
Employee benefit expense (including directors' and chief executive's remuneration)	13,500	19,431	27,336	36,016
(Reversal)/provision of impairment loss recognised in respect of trade and bills receivables, net	(49)	7,408	(3,437)	2,887
Impairment loss recognised in respect of prepayments, other receivables, and other assets, net	–	3,367	–	3,367
Provision/(reversal) of impairment loss recognized in respect of contract assets, net	–	511	(6,799)	511
	<u>–</u>	<u>511</u>	<u>(6,799)</u>	<u>511</u>

7. 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 six months ended 30 June 2020 (six months ended 30 June 2019: 15%).

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Mainland China	124	(98)	165	678
Deferred	1,678	1,075	1,678	1,075
	<hr/>	<hr/>	<hr/>	<hr/>
Total tax charge for the period	<u>1,802</u>	<u>977</u>	<u>1,843</u>	<u>1,753</u>

8. DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2020, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2019: Nil).

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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,487,517,000 (30 June 2019: 4,026,925,000) in issue during the 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 six months ended 30 June 2020 and 2019.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings/(loss)				
Profit/(loss) for the period attributable to ordinary equity holders of the parent	<u>27,325</u>	(46,207)	<u>9,173</u>	(65,700)
	Number of shares			
	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	<u>4,448,109</u>	<u>4,026,925</u>	<u>4,487,517</u>	<u>4,026,925</u>

10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2020, the Group incurred approximately HK\$270,000 (30 June 2019: HK\$339,000) on acquisition of property, plant and equipment.

The Group's investment properties as at 30 June 2020 were fair valued by Peak Vision Appraisals Limited, an independent professionally qualified valuer not connected to the Group. The resulting increase in fair value of investment properties of approximately HK\$6,212,000 (30 June 2019: increase of HK\$1,318,000) has been recognised directly in the profit or loss for the six months ended 30 June 2020.

The amounts of investment properties included in non-current assets held for sale and assets of a disposal group classified as held for sale were HK\$73,253,000 and HK\$154,586,000, respectively.

11. TRADE AND BILLS RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	209,780	210,947
Impairment	(97,303)	(100,740)
	<hr/>	<hr/>
Trade receivables, net	112,477	110,207
Bills receivables	–	223
	<hr/>	<hr/>
	112,477	110,430
Less: non-current portion	(58,404)	(57,029)
	<hr/>	<hr/>
Current portion	54,073	53,401
	<hr/> <hr/>	<hr/> <hr/>

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 and bills receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 90 days	8,203	27,834
91 to 180 days	22,880	6,304
181 to 365 days	10,964	5,398
Over 365 days	70,430	70,894
	<hr/>	<hr/>
	112,477	110,430
	<hr/> <hr/>	<hr/> <hr/>

12. 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:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 90 days	50,764	101,998
91 to 180 days	31,992	14,883
181 to 365 days	30,927	23,817
Over 365 days	147,957	168,778
	<u>261,640</u>	<u>309,476</u>

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

13. NON-CURRENT ASSETS HELD FOR SALE

On 29 March 2020, Beijing Sibolian General Mechanical New Technology Company as purchaser (a PRC registered enterprise under collective ownership) and Ever Source Science & Technology Development Group Co., Ltd., an indirectly wholly owned subsidiary of the Company, as vendor entered into a Property Usage Right Transfer Agreement for an aggregate consideration of RMB114,407,000.

Property Usage Right as investment properties were measured at fair value on 30 June 2020 based on valuation performed by Peak Vision Appraisals Limited, an independent professional qualified valuer at HK\$73,253,000.

14. DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 15 May 2020, HYY Investment Management Co., Ltd., an indirectly wholly owned subsidiary of the Company, entered into a share transfer agreement to dispose of 100% of the equity interests of Goodway (Hangzhou) Biotechnology Ltd.* (“Hangzhou Goodway”) to a third party for an aggregate consideration of approximately RMB143,993,000. The transaction is expected to be completed within one year. As such, Hangzhou Goodway was classified as a disposal group held for sale as at 30 June 2020.

The major classes of assets and liabilities of Hangzhou Goodway from the perspective of the Group's consolidated financial statements classified as held for sale as at 30 June 2020 are as follows:

	30 June 2020 <i>HKD'000</i> (Unaudited)
Assets	
Investment properties	154,586
Prepayments, other receivables and other assets	164
Cash and cash equivalents	11
	<hr/>
Assets classified as held for sale	154,761
	<hr/>
Liabilities	
Trade and bills payables	1,489
Other payables and accruals	233
Tax payable	140
Deferred tax liabilities	7,376
	<hr/>
Liabilities directly associated with the assets classified as held for sale	9,238
	<hr/>
Net assets directly associated with the disposal group	145,523
	<hr/> <hr/>

15. SHARE CAPITAL

	Number of shares		Share capital		Share capital	
	US\$0.01 each		Share capital		Share capital	
	30 June	31 December	30 June	31 December	30 June	31 December
	2020	2019	2020	2019	2020	2019
	'000	'000	US\$'000	US\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Ordinary shares						
Issued and fully paid	4,526,925	4,526,925	45,269	45,269	353,043	353,043
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Contracted, but not provided for:		
Investment properties under construction	10,630	13,184
Capital contributions payable to an associate	4,379	4,465
	15,009	17,649

17. SHARE-BASED PAYMENT TRANSACTIONS

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

	Number of Share options
Outstanding at 1 January 2020 and at 30 June 2020	<u>486,182,851</u>

18. RELATED PARTY TRANSACTIONS

- (a) Amounts due from/to related companies and associates are included in the condensed consolidated statement of financial position.
- (b) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Associates:				
Purchases of products	29,789	17,727	29,824	20,357
Rental income	50	43	100	85
Other related parties:				
Cash deposit	6	6	6	6
Rental expense	4	12	16	23
Guarantee fee	–	2,293	–	4,632
Interest expense	3,918	–	8,283	–

- (c) Compensation of key management personnel of the Group:

	Three months ended		Six months ended	
	30 June		30 June	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term employee benefits	3,417	3,476	7,447	6,925
Post-employment benefits	15	23	31	46
Total compensation paid to key management personnel	<u>3,432</u>	<u>3,499</u>	<u>7,478</u>	<u>6,971</u>

19. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Financial assets				
Trade receivables, non-current portion	58,404	57,029	58,404	57,029
Equity investments designated at fair value through other comprehensive income	232,006	239,406	232,006	239,406
Financial assets at fair value through profit or loss	43	48	43	48
	<u>290,453</u>	<u>296,483</u>	<u>290,453</u>	<u>296,483</u>
Financial liabilities				
Interest-bearing bank borrowings	<u>443,941</u>	<u>6,140</u>	<u>443,941</u>	<u>6,140</u>

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of trade receivables have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2020 was assessed to be insignificant.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price to book (“P/B”) multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an book measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding book measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the condensed consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2020 and 31 December 2019:

	Value technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average P/B multiple of peers	30 June 2020: 0.9 to 2.6 (31 December 2019: 0.9 to 2.6)	10% (31 December 2019: 10%) increase/decrease in multiple would result in increase/decrease in fair value by HK\$17,626,000 (31 December 2019: HK\$16,105,000)
		Discount for lack of marketability and control	30 June 2020: 35% (31 December 2019: 35%)	10% (31 December 2019: 10%) increase/decrease in discount would result in decrease/increase in fair value by HK\$9,494,000 (31 December 2019: HK\$8,672,000)

The discount for lack of marketability and control represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2020

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>HK\$'000</i> (Unaudited)	Significant observable inputs (Level 2) <i>HK\$'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>HK\$'000</i> (Unaudited)	
Equity investments designated at fair value through other comprehensive income	55,743	–	176,263	232,006
Financial assets at fair value through profit or loss	43	–	–	43
	<u>55,786</u>	<u>–</u>	<u>176,263</u>	<u>232,049</u>

As at 31 December 2019

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1) <i>HK\$'000</i> (Audited)	Significant observable inputs (Level 2) <i>HK\$'000</i> (Audited)	Significant unobservable inputs (Level 3) <i>HK\$'000</i> (Audited)	
Equity investments designated at fair value through other comprehensive income	59,674	–	179,732	239,406
Financial assets at fair value through profit or loss	48	–	–	48
	<u>59,722</u>	<u>–</u>	<u>179,732</u>	<u>239,454</u>

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2020 (31 December 2019: Nil).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2019: Nil).

20. EVENTS AFTER THE REPORTING PERIOD

As disclosed in Announcements dated, 29 Marh 2020 and 17 May 2020, the Group separately disposed its property usage right in Beijing investment property and all the equity interest in an indirectly wholly owned subsidiary, Hangzhou Goodway to two independent third parties for considerations of approximately RMB114,407,000 and approximately RMB143,992,000 respectively. At the date of this announcement, the transactions are pending for the approval of the Hong Kong Stock Exchange for the issuance of circulars to be dispatched to shareholders for the approval of the transactions.

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

As at 30 June 2020, 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)		15.72%	37,725,148 (L)	750,354,548 (L)	16.58%
	Interest of spouse	982,800 (L)		0.02%	–		
Ms. Chan Wai Kay Katherine (Note 2)	Beneficial owner	58,290,400 (L)		1.29%	43,788,119 (L)	116,182,119 (L)	2.57%
	Interest of spouse	14,103,600 (L)		0.31%	–		
Mr. Wang Manquan (Note 3)	Beneficial owner	716,800 (L)		0.02%	30,314,851 (L)	31,031,651 (L)	0.69%
Mr. Jia Wenzeng (Note 4)	Beneficial owner	–		–	4,827,920 (L)	4,827,920 (L)	0.11%
Mr. Wu Desheng (Note 5)	Beneficial owner	–		–	3,143,762 (L)	3,143,762 (L)	0.07%
Mr. Wang Michael Zhiyu (Note 6)	Interest of spouse	250,000,000 (L)		5.52%	–	250,000,000 (L)	5.52%
Ms. Liu Ening (Note 6)	Beneficial owner	250,000,000 (L)		5.52%	–	250,000,000 (L)	5.52%
Mr. Zhang Yiyang (Note 7)	Beneficial owner	504,000 (L)		0.01%	–	250,504,000 (L)	5.53%
	Interest of controlled corporation	250,000,000 (L)		5.52%	–		

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

Notes:

1. Mr. Xu Shengheng (“Mr. Xu”) is interested in 711,646,600 Shares of the Company (“Shares”) 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. 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.
5. 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.
6. Ms. Liu Ening (“Ms. Liu”), the spouse of Mr. Wang Michael Zhiyu (“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.
7. Mr. Zhang Yiying (“Mr. Zhang”) is interested in 504,000 Shares and through Universal Zone Limited, which is wholly owned by Mr. Zhang, holds 250,000,000 Shares. Therefore, under the SFO, Mr. Zhang is deemed to be interested in 250,000,000 Shares.

(b) Long Positions under Equity Derivatives

The Share Option Scheme

On 28 July 2010, the Company, by a shareholders' resolution, conditionally adopted a new share option scheme (the "Share Option Scheme") for a period of ten years from the date on which the Share Option Scheme became unconditional. On 7 August 2010, the Share Option Scheme became unconditional and effective. Pursuant to the Share Option Scheme, 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 Scheme, to subscribe for shares in the Company under the terms of the Share Option Scheme. As at 30 June 2020, the following directors of the Company were interested in the following options under the Share Option Scheme:

Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 30 June 2020
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 June 2020, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30 June 2020, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long Positions and Short Positions in Shares and Equity Derivatives

Name	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and capacity		Percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Percentage of aggregate interests
		Interest in shares					
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited (Note 1)	Beneficial owner	1,190,000,000 (L)		26.29%	-	1,190,000,000 (L)	26.29%
China Energy Conservation and Environmental Protection Group (Note 1)	Interest of controlled corporation	1,190,000,000 (L)		26.29%	-	1,190,000,000 (L)	26.29%
Ms. Luk Hoi Man (Note 2)	Beneficial owner	982,800 (L)		0.02%	-	750,354,548 (L)	16.58%
	Interest of spouse	711,646,600 (L)		15.72%	37,725,148 (L)		
Universal Zone Limited	Beneficial owner	250,000,000 (L)		5.52%	-	250,000,000 (L)	5.52%

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

Notes:

1. China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited is a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group (“CECEP”), therefore, under the SFO, CECEP is deemed to be interested in 1,190,000,000 Shares.
2. 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 June 2020, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

OUTSTANDING SHARE OPTIONS

As at 30 June 2020, options to subscribe for an aggregate of 486,182,851 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 30 June 2020 were as follows:

Name	Date of grant of share options	As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2020	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 or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

CORPORATE GOVERNANCE CODE

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

Under code provision A.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.

Mr. Wang Michael Zhiyu and Mr. Zhang Yiyong, the non-executive Director, as well as Mr. Wu Qiang and Mr. Guan Chenghua, the independent non-executive Director, did not attend the annual general meeting held on 30 June 2020 due to their engagement in other business.

NON-COMPLIANCE WITH RULE 5.05A OF THE GEM LISTING RULES

Upon the appointment of Mr. Zhang Yiyong as a non-executive director on 16 January 2020, the Company failed to comply with the minimum number of independent non-executive directors as required under Rule 5.05A of the GEM Listing Rules. On 27 March 2020, the Board has resolved to appoint Mr. Guan Chenghua as an independent non-executive Director to be effective from 28 March 2020. Upon the appointment of Mr. Guan as an independent non-executive director becoming effective, the Company had been in compliance with the requirement of the minimum number of independent non-executive directors prescribed under Rule 5.05A of the GEM Listing Rules.

SHARE AWARD SCHEME

On 15 January 2020, the Board approved the adoption of a share award scheme (the “Share Award Scheme”). The purposes of the Share Award Scheme are to recognise and reward the contribution of eligible participants to the growth and development of the Group, to give incentives to eligible participants in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group. For details of the Share Award Scheme, please refer to the announcement of the Company dated 15 January 2020.

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 five independent non-executive Directors, namely, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua. 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.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors for the six months ended 30 June 2020 is set out below:

- Mr. Zhang Yiying was appointed as the non-executive Director of the Company with effect from 16 January 2020.
- Mr. Guan Chenghua was appointed as an independent non-executive director, member of audit committee, remuneration committee and nomination committee of the Company with effect from 28 March 2020.
- Ms. Wang Yan, the joint Chairman and executive Director, resigned as a director of CECEP Valiant Co., Ltd. (a listed company in China with stock code: 002643.SZ) on 12 May 2020.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the six months ended 30 June 2020.

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, except that the trustee of the Share Award Scheme, pursuant to the rules of the Share Award Scheme, purchased on the open market a total of 135,000,000 shares of the Company, representing approximately 2.98% of the issued share capital of the Company, at a consideration of approximately HK\$7,676,000 during the six months ended 30 June 2020.

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, Mr. Zhang Yiyi and Mr. Wang Michael Zhiyu (Ms. Liu Ening being his alternate Director) as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua 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, 4 August 2020

* *For identification purpose only*

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.