



## TECHNOLOGY AND RESOURCES LINKS

INTERIM REPORT 2012



中國地能有限公司  
CHINA GROUND SOURCE ENERGY LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

Stock Code: 8128

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*This report, for which the directors (the “Directors”) of China Ground Source Energy Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.*

## HIGHLIGHTS

Revenue for the six months ended 30 September 2012 (the "Review Period") amounted to approximately HK\$138 million.

Net profit after tax of the Group for the Review Period amounted to approximately HK\$33 million.

No dividend was declared for the Review Period.

## FINANCIAL REVIEW

The following table provides a brief summary of the financial results of China Ground Source Energy Limited (the "Company") and its subsidiaries (collectively the "Group"). For more detailed information, please refer to the unaudited consolidated financial statements for the Review Period and the six months ended 30 September 2011.

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue	77,754	78,024	137,588	135,297
Profit for the period	29,282	22,549	33,157	26,208
Profit attributable to owners of the Company	30,269	21,297	33,087	24,389

During the Review Period, the Group's revenue amounted to approximately HK\$138 million which was mainly contributed by shallow ground energy segment as compared with that of approximately HK\$135 million for the corresponding period last year. Although the revenue increased by approximately HK\$3 million as compared with that of last corresponding period, the Group's gross profit margin for the Review Period decreased from 45% to 32%, which was mainly attributable from the rising prices of raw materials and labour costs.

Selling and distribution expenses were decreased by approximately HK\$1 million as compared with last corresponding period. The decrease is primarily due to the decrease in after sales service cost of company projects.

Administrative expenses amounted to approximately HK\$38 million and approximately HK\$31 million for the Review Period and the six months ended 30 September 2011 respectively. The increase was mainly due to the increased in the staff costs and research and development costs, the Directors believe that our success depends upon our ability to employ and retain management and technical personnel with the ability to design, utilise, and enhance our services and products.

Finance costs amounted to approximately HK\$1.7 million was recorded for the Review Period as compared with nil for last corresponding period. The increase in finance costs was mainly attributable to imputed interest expenses on receipt in advance and the bank interest expenses on the short term bank loan amounted to approximately HK\$1.4 million and approximately HK\$0.3 million respectively.

Other income increased from approximately HK\$6 million for the corresponding period last year to approximately HK\$15 million for the Review Period which was mainly attributable to the imputed interest income on receipt in advance.

Profit attributable to owners of the Company increased to approximately HK\$33 million (2011: approximately HK\$24 million) for the Review Period and such increase was mainly attributable to the increase in the fair value of the investment properties and the increase in other income.

### **Order Book**

As at 30 September 2012, the Group has contracts on hand of approximately HK\$405 million.

### **Investment Properties**

The Group's investment properties as at 30 September 2012 were fair valued at HK\$218 million. This resulted in an increase in fair value of investment properties of approximately HK\$40 million (2011: approximately HK\$18 million) recognised directly in profit or loss for the Review Period.

During the Review Period, the Group transferred a portion of investment properties located in the PRC of approximately HK\$37 million to properties held for sale under development as the Group has changed the use of certain investment properties from earning potential income to sales. The carrying amount of the properties as at the date of transfer was approximated to the fair value of the properties.

### **Liquidity, Financial Resources and Capital Structure**

Net current assets of the Group as at 30 September 2012 was approximately HK\$844 million (31 March 2012: approximately HK\$427 million). As at 30 September 2012, the Group had cash and bank balances of approximately HK\$428 million (31 March 2012: approximately HK\$136 million). Cash shown on our statement of financial position included funds available for general corporate purposes.

Non-controlling interest amounted to approximately HK\$39 million which mainly represented the interest attributable to minority shareholders of the Group's subsidiaries in the PRC.

The subscription of shares by China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited was completed on 20 August 2012. A total of 850,000,000 ordinary shares of US\$0.01 each were issued at subscription price of HK\$0.41 per share, representing approximately 29.16% of the issued share capital of the Company as at 20 August 2012 as enlarged by the subscription, were issued to China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited.

10,584,000 ordinary shares of the Company were repurchased and cancelled during the Review Period.

### **Charges on Assets**

As at 30 September 2012, no Group's asset has been charged.

### **Gearing Ratio**

The gearing ratio of the Group was maintained at 0% as at 30 September 2012 (31 March 2012: 0.2%).

### **Foreign Exchange Exposure**

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 September 2012, the Group had no material contingent liabilities (31 March 2012: nil).

## **Employees**

As at 30 September 2012, the Group has approximately 470 employees in total. The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.


## **Change of Financial Year End Date**

Pursuant to the board resolution on 29 August 2012, the Company has changed its financial year end date from 31 March to 31 December to align with the financial year end date of the Group's PRC operating subsidiaries and thereby streamlining the preparation of the consolidated financial statements of the Group.

## **BUSINESS REVIEW AND OUTLOOK**

During the Review Period, China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited became a shareholder of the Company upon completion of the share subscription in August 2012. As a result, China Ground Source Energy Limited has become the sole listed company in Hong Kong focusing on the field of scientific research and promotion of the geothermal energy as alternative energy for heating (cooling) with a large state-owned enterprise specialized in energy-conservation and environmental protection as its single largest shareholder.

The Company held a press conference and analyst briefing in September 2012 to give detailed presentation to the investors and the public regarding the establishment of the development pattern led by stated-owned enterprise and experts in the field for planning of our future development, which was widely reported by the news media both from Hong Kong and the mainland.



Leveraging on its innovative HYH Single Well Circulation Heat Exchange Geothermal Energy Collection Technology and backed by its five diversified business models – production of patent products, promotion of the HYH Geothermal Energy Heat-pump Environmental System, energy contracting management, self-built demonstration projects (China Energy-saving Buildings • Geothermal Energy for Heating (Cooling) Demonstration Zone) and construction of HYH Multi-source Distributed Energy Stations, also coupled with the integrated horizontal management pattern with two poles (capital and operation) and two places (Hong Kong and Beijing), the Company focused on scientific research on and development of using geothermal energy as an alternative energy for heating (cooling), and industrialized development of this application with the innovative Single Well Circulation Heat Exchange Geothermal Energy Collection Technology as its core technology.

Ever Source Science and Technology Development Group Ltd. (恒有源科技發展集團有限公司) (“HYH”), the core enterprise of the Company, made steady and healthy development in its core businesses.

Under the sagacious leadership of the sound and dedicated new session of the Board of Directors and with the unremitting efforts by the aggressive and proactive management team, we are confident that the Company will continue to gain growth momentum for its development, with an aim to become the most competitive alternative energy enterprise specialized in the field of promoting the geothermal energy as alternative energy for heating (cooling).

## FINANCIAL RESULTS

The Board of Directors (the “Board”) of China Ground Source Energy Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and six months ended 30 September 2012 together with the unaudited comparative figures for the corresponding periods in 2011 as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2012

	Notes	Three months ended 30 September		Six months ended 30 September	
		2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Revenue		77,754	78,024	137,588	135,297
Cost of sales		(60,550)	(42,010)	(94,116)	(74,313)
Gross profit		17,204	36,014	43,472	60,984
Other income		12,644	3,084	14,957	5,600
Selling and distribution expenses		(5,247)	(5,881)	(6,880)	(7,584)
Administrative expenses		(19,836)	(14,229)	(37,587)	(30,648)
Profit from operations		4,765	18,988	13,962	28,352
Share of results of associates		(577)	618	(116)	1,757
Share-based payments		(1,265)	(2,656)	(2,833)	(5,856)
Fair value changes on the investment properties		40,347	18,391	40,347	18,391
Finance costs		(863)	–	(1,683)	–
Profit before tax		42,407	35,341	49,677	42,644
Income tax expense	4	(13,125)	(12,792)	(16,520)	(16,436)
Profit for the period	5	29,282	22,549	33,157	26,208



## Condensed Consolidated Statement of Comprehensive Income (Cont'd)

For the six months ended 30 September 2012

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Other comprehensive income (expense):				
Fair value change on transfer of prepaid lease payments and property, plant and equipment to investment properties at transfer date	-	28,749	-	28,749
Deferred tax on fair value change on transfer of prepaid lease payments and property, plant and equipment to investment properties at transfer date	-	(7,187)	-	(7,187)
Exchange difference arising on translation of foreign operations	8,051	11,574	22	12,018
Release of exchange translation reserve upon deregistration of a subsidiary	98	-	98	-
<b>Total comprehensive income for the period</b>	<b>37,431</b>	<b>55,685</b>	<b>33,277</b>	<b>59,788</b>
Profit (loss) attributable to:				
Owners of the Company	30,269	21,297	33,087	24,389
Non-controlling interests	(987)	1,252	70	1,819
	<b>29,282</b>	<b>22,549</b>	<b>33,157</b>	<b>26,208</b>
Total comprehensive income (expense) attributable to:				
Owners of the Company	38,044	52,870	33,932	56,265
Non-controlling interests	(613)	2,815	(655)	3,523
	<b>37,431</b>	<b>55,685</b>	<b>33,277</b>	<b>59,788</b>
Earnings per share	7			
Basic (HK cents)	1.34	1.03	1.46	1.18
Diluted (HK cents)	1.34	1.03	1.46	1.18

## Condensed Consolidated Statement of Financial Position

At 30 September 2012

	Notes	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	38,324	34,638
Investment properties	8	218,268	152,592
Deposit paid for acquisition of land use rights		–	61,664
Goodwill		445,850	445,850
Intangible assets		291	971
Interests in associates		62,790	62,896
Available-for-sale investments		493	493
Other receivable		2,054	1,865
Deferred tax assets		21,690	21,690
		<b>789,760</b>	<b>782,659</b>
<b>Current assets</b>			
Inventories		28,566	20,779
Properties held for sales under development		68,455	–
Trade and retention receivables	9	52,459	56,456
Prepayments, deposits and other receivables		136,335	61,782
Amounts due from customers for contract work		469,378	413,690
Amount due from an associate		6,841	6,048
Held-for-trading financial assets		34	25
Short-term bank deposits		2,467	2,467
Cash held at non-bank financial institutions		1,983	–
Bank balances and cash		427,903	135,539
		<b>1,194,421</b>	<b>696,786</b>
<b>Current liabilities</b>			
Trade payables	10	117,524	103,658
Accrued liabilities, deposits received and other payables		119,344	70,445
Amounts due to customers for contract work		15,861	15,440
Amounts due to non-controlling shareholders		14,301	12,376
Amounts due to associates		23,219	15,727
Bank loan	11	–	2,467
Tax payable		60,198	49,896
		<b>350,447</b>	<b>270,009</b>
<b>Net current assets</b>		<b>843,974</b>	<b>426,777</b>
<b>Total assets less current liabilities</b>		<b>1,633,734</b>	<b>1,209,436</b>

## Condensed Consolidated Statement of Financial Position (Cont'd)

At 30 September 2012

	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
	<i>Note</i>	
Non-current liabilities		
Receipt in advance	70,339	32,408
Deferred income	15,021	14,794
Deferred tax liabilities	19,464	13,814
	<hr/>	<hr/>
	104,824	61,016
	<hr/>	<hr/>
Net assets	1,528,910	1,148,420
	<hr/>	<hr/>
Capital and reserves		
Share capital	12	226,201
Reserves		1,264,196
		<hr/>
Equity attributable to owners of the Company	1,490,397	1,109,249
Non-controlling interests	38,513	39,171
	<hr/>	<hr/>
Total equity	1,528,910	1,148,420
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## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2012

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Assets revaluation reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000 (Note c)	Capital reserve HK\$'000 (Note d)	Share-based payment reserve HK\$'000	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2011 (Audited)	644,368	624,541	2,094	-	-	(1,694)	32,235	39,480	20,658	(355,315)	1,006,367	23,188	1,029,555
Profit for the period	-	-	-	-	-	-	-	-	-	24,389	24,389	1,819	26,208
Other comprehensive income (expenses) for the period:													
- Fair value change on transfer of prepaid lease payments and property, plant and equipment to investment properties at transfer date	-	-	-	28,749	-	-	-	-	-	-	28,749	-	28,749
- Deferred tax on fair value change on transfer of prepaid lease payments and property, plant and equipment to investment properties at transfer date	-	-	-	(7,187)	-	-	-	-	-	-	(7,187)	-	(7,187)
- Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	10,314	-	10,314	1,704	12,018
Total other comprehensive income for the period	-	-	-	21,562	-	-	-	-	10,314	-	31,876	1,704	33,580
Total comprehensive income for the period	-	-	-	21,562	-	-	-	-	10,314	24,389	56,265	3,523	59,788
Reduction of issued share capital (note 12a)	(483,276)	-	-	-	483,276	-	-	-	-	-	-	-	-
Utilisation of the contributed surplus	-	-	-	-	(328,895)	-	-	-	-	328,895	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	4,573	4,573
Recognition of share-based payment expenses	-	-	-	-	-	-	-	5,856	-	-	5,856	-	5,856
At 30 September 2011 (Unaudited)	161,092	624,541	2,094	21,562	154,381	(1,694)	32,235	45,336	30,972	(2,031)	1,068,488	31,284	1,099,772

## Condensed Consolidated Statement of Changes in Equity (Cont'd)

For the six months ended 30 September 2012

	Attributable to owners of the Company												
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Assets revaluation reserve HK\$'000	Contributed surplus HK\$'000	Special reserve HK\$'000 (Note c)	Capital reserve HK\$'000 (Note d)	Share-based payment reserve HK\$'000	Exchange translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 April 2012 (Audited)	161,092	624,541	2,211	24,488	154,381	(1,694)	32,235	29,705	35,826	46,464	1,109,249	39,171	1,148,420
Profit for the period	-	-	-	-	-	-	-	-	-	33,087	33,087	70	33,157
Other comprehensive income (expenses) for the period:													
- Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	747	-	747	(725)	22
- Release of exchange translation reserve upon deregistration of a subsidiary	-	-	-	-	-	-	-	-	98	-	98	-	98
Total other comprehensive income (expense) for the period	-	-	-	-	-	-	-	-	845	-	845	(725)	120
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	-	845	33,087	33,932	(655)	33,277
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	(3)	(3)
Recognition of share-based payment expenses	-	-	-	-	-	-	-	2,833	-	-	2,833	-	2,833
Share repurchased and cancelled (note 12c)	(826)	(3,191)	-	-	-	-	-	-	-	-	(4,017)	-	(4,017)
Share issued (note 12b)	65,935	282,565	-	-	-	-	-	-	-	-	348,500	-	348,500
Shares issued expenses (note 12b)	-	(100)	-	-	-	-	-	-	-	-	(100)	-	(100)
At 30 September 2012 (Unaudited)	226,201	903,815	2,211	24,488	154,381	(1,694)	32,235	32,538	36,671	79,551	1,490,397	38,513	1,528,910

*Notes:*

- (a) The share premium of the Group includes (i) the excess of the issue price over the nominal value of the Company's shares issued at a premium and (ii) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group's reorganisation scheme in preparation for the public listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Reorganisation") in 2001 over the nominal value of the share capital of the Company issued in exchange therefore.
- (b) In accordance with the relevant People's Republic of China (the "PRC") regulations and joint venture agreements, the Sino-foreign joint ventures established in the PRC shall set aside a portion of their respective profit after tax, if any, to the statutory reserve. Such amount will be determined at the discretion of the board of directors of the respective entity.
- (c) Special reserve represents the reserve arising from acquisition of additional interests of a subsidiary from non-controlling interests.
- (d) Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes.

## Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
Net cash inflow from operating activities	9,531	5,714
Net cash outflow from investing activities	(67,614)	(68,694)
Net cash inflow from financing activities	350,474	1,403
Increase (decrease) in cash and cash equivalents	292,391	(61,577)
Effect of foreign exchange rates changes	(27)	746
Cash and cash equivalents at the beginning of the period	135,539	143,528
Cash and cash equivalents at end of the period	427,903	82,697

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2012*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Charter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the GEM 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 have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical costs basis except for certain financial instruments and investment properties, which are measured at revalued amounts or fair values, as appropriate.

Except as described below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2012.

### **Transfer of investment properties to properties under development for sale**

For a transfer from investment properties to properties under development for sale which is evidenced by the commencement of development with a view to sale, any difference between the fair value of the property at the date of transfer and its previously carrying amount is recognised in profit or loss. The property's deemed cost for subsequent accounting is the fair value at the date of change in use.

In the current interim period, the Group has applied, all the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2012. The adoption of the new and revised HKFRSs had no material effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

The Group has not early applied the new and revised standards or amendments that have been issued but are not yet effective. The Directors of the Company are in the process of assessing the potential impact of the new or revised HKFRSs; but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.



### 3. SEGMENT INFORMATION

The Group's reportable and operating segments, based on information reported to the chief operating decision maker, being the chief executive officer of the Company, for the purpose of resource allocation and performance assessment are as follows:

- (a) Shallow ground energy segment – provision, installation and maintenance of shallow ground energy utilisation system;
- (b) Securities investments and trading segment – trading of investment securities; and
- (c) Properties investments and development segment– leasing of investment properties and development and sale of properties;

#### (a) Segment revenue and results

The following is an analysis of the Group's revenue and results from operations by reportable and operating segment.

	Shallow ground energy		Securities investment and trading		Properties investments and development		Total		
	Six months ended		Six months ended		Six months ended		Six months ended		
	30 September		30 September		30 September		30 September		
	2012	2011	2012	2011	2012	2011	2012	2011	
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Revenue to external customers	134,981	135,297	-	-	2,607	-	137,588	135,297	
Segment results	19,979	41,232	(192)	(1,597)	53,944	17,921	73,731	57,556	
Share of results of associates							(116)	1,757	
Unallocated other income							2,029	454	
Unallocated expenses							(25,685)	(17,123)	
Unallocated finance costs							(282)	-	
Profit before tax							49,677	42,644	

### 3. SEGMENT INFORMATION (Cont'd)

#### (b) Segment assets

The following is an analysis of the Group's assets by reportable and operating segment:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Shallow ground energy	1,239,861	1,107,203
Securities investment and trading	6,728	3,084
Properties investments and development	211,903	138,321
<b>Total segment assets</b>	<b>1,458,492</b>	<b>1,248,608</b>
Unallocated corporate assets	525,689	230,837
<b>Consolidated total assets</b>	<b>1,984,181</b>	<b>1,479,445</b>

### 4. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2011 HK\$'000 (Unaudited)
PRC enterprise income tax	7,581	8,194	10,976	11,838
Deferred tax	5,544	4,598	5,544	4,598
	<b>13,125</b>	<b>12,792</b>	<b>16,520</b>	<b>16,436</b>

## 5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of sales	60,550	42,010	94,116	74,313
Staff costs (including directors' emolument)	9,230	9,087	18,808	17,780
Depreciation and amortisation	1,367	673	2,145	1,573
Lease payments under operating leases in respect of land and buildings	2,657	1,824	4,423	3,388
Gain on de-registration of a subsidiary	176	–	176	–

## 6. DIVIDENDS

No dividend was paid, declared or proposed during the report period. The directors do not recommend the payment of any interim dividend (2011: nil).

## 7. EARNINGS PER SHARE

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

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Earnings</b>				
Earnings for the purpose of basic earnings and diluted earnings per share	<b>30,269</b>	21,297	<b>33,087</b>	24,389
<b>Number of shares</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,259,430</b>	2,065,307	<b>2,259,430</b>	2,065,307
Effect of dilutive potential ordinary shares:				
Share options ( <i>note</i> )	<b>1,919</b>	–	<b>1,919</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>2,261,349</b>	2,065,307	<b>2,261,349</b>	2,065,307

*Note:* The calculation of diluted earnings per share for the six months ended 30 September 2011 does not assume the exercise of share options because the exercise price of the Company's outstanding share options was higher than the average market price of shares for the six months ended 30 September 2011.

## 8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2012 (the "Review Period"), the Group incurred approximately HK\$5,820,000 (2011: approximately HK\$6,999,000) on acquisition of property, plant and equipment.

During the Review Period, the Group transferred a portion of investment properties located in the PRC of HK\$36,763,000 to properties held for sales under development as the Group has changed the use of certain investment properties from earning potential income to sales. The carrying amount of the properties as at the date of transfer was approximated to the fair value of the properties.

During the six months ended 30 September 2011, the Group had transferred the prepaid lease payment amounted to approximately HK\$62,855,000 to investment properties under construction.

The Group's investment properties as at 30 September 2012 were fair valued by Peak Vision Appraisals Limited, an independent qualified professional valuer not connected to the Group. This resulted in an increase in fair value of investment properties of approximately HK\$40,347,000 (2011: approximately HK\$18,391,000) has been recognised directly in profit or loss for the Review Period.

## 9. TRADE AND RETENTION RECEIVABLES

The Group allows an average credit period ranging from 30 to 180 days, and more than 365 days to its trade receivables and retention receivables respectively. The following is an aged analysis of trade and retention receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period.

	30 September 2012 HK\$ '000 (Unaudited)	31 March 2012 HK\$ '000 (Audited)
Within 90 days	14,594	2,002
91 to 180 days	456	3,495
181 to 365 days	6,725	10,061
Over 365 days	30,684	40,898
	<hr/>	
	52,459	56,456

## 10. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period.

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Within 90 days	15,636	39,765
91 to 180 days	32,686	16,685
181 to 365 days	21,155	10,355
Over 365 days	48,047	36,853
	<b>117,524</b>	<b>103,658</b>

## 11. BANK LOAN

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Unsecured bank loan repayable within one year	–	2,467

The above bank loan carried interest at variable rates was repaid during the Review Period.

## 12. SHARE CAPITAL

	Number of shares US\$0.01 each		Number of shares US\$0.04 each		Share Capital		Share Capital	
	30 September 2012 '000	31 March 2012 '000	30 September 2012 '000	31 March 2012 '000	30 September 2012 US\$'000	31 March 2012 US\$'000	30 September 2012 HK\$'000	31 March 2012 HK\$'000
<b>Ordinary shares</b>								
<b>Authorised:</b>								
At beginning of the period/year	16,000,000	-	-	4,000,000	160,000	160,000	1,248,000	1,248,000
Subdivision of share capital (Note a)	-	16,000,000	-	(4,000,000)	-	-	-	-
At end of the period/year	16,000,000	16,000,000	-	-	160,000	160,000	1,248,000	1,248,000
<b>Issued and fully paid:</b>								
At beginning of the period/year	2,065,307	-	-	2,065,307	20,653	82,612	161,092	644,368
Reduction of issued share capital (Note a)	-	2,065,307	-	(2,065,307)	-	(61,959)	-	(483,276)
Subscription of shares (Note b)	850,000	-	-	-	8,500	-	65,935	-
Repurchase of shares (Note c)	(10,584)	-	-	-	(105)	-	(826)	-
At end of the period/year	2,904,723	2,065,307	-	-	29,048	20,653	226,201	161,092

### Notes:

- (a) Pursuant to a special resolution passed by the shareholders at the extraordinary general meeting held on 23 March 2011 and the approval obtained from the Grand Court of the Cayman Islands on 17 June 2011, the issued share capital of the Company was reduced by reducing the nominal value of each share from US\$0.04 to US\$0.01, thereby cancelling the paid-up capital to the extent of US\$0.03 on each share in issue. The credit balance of approximately HK\$483,276,000 arising from the capital reduction was credited to the contributed surplus account of the Company and then approximately HK\$328,895,000 applied to set off against the accumulated losses as at 31 March 2011.

Furthermore, the authorised share capital of the Company were subdivided from US\$0.04 each into four new shares of US\$0.01 each, and the authorised share capital remains at US\$160,000,000 or approximately HK\$1,248,000,000.

- (b) The subscription of shares by China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited was completed on 20 August 2012. A total of 850,000,000 ordinary shares of US\$0.01 each were issued at subscription price of HK\$0.41 per share for cash totaling HK\$348,500,000, representing approximately 29.16% of the issued share capital of the Company as at 20 August 2012 as enlarged by the subscription, were issued to China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited. The excess of the issue price over the par value of the shares, net of share issued expenses of HK\$100,000, were credited to the share premium account of the Company. All the subscription shares rank pari passu with the existing shares. Details of the subscription are set out, inter alia, in the announcement and circular of the Company dated 13 April 2012, 5 June 2012 and 20 August 2012 respectively.

## 12. SHARE CAPITAL (Cont'd)

- (c) During the Review Period, the Company repurchased its own shares through The Stock Exchange of Hong Kong Limited as follows:

Month of Purchase	No. of ordinary shares of US0.01 each	Price per share		Aggregate consideration paid HK\$'000
		Highest	Lowest	
		HK\$	HK\$	
September 2012	10,584,000	0.40	0.36	4,017

The above shares were cancelled upon repurchase.

## 13. COMMITMENTS

- i) **Operating lease**

### *The Group as lessor*

The Group sub-leases part of the building and leases the investment properties under construction or development under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. At the end of reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
Within one year	11,040	94,711
In the second to fifth years, inclusive	32,328	301
Over five years	337,061	163,619
	<b>380,429</b>	<b>258,631</b>



### 13. COMMITMENTS (Cont'd)

#### i) Operating lease (Cont'd)

##### *The Group as lessee*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30 September 2012 HK\$ '000 (Unaudited)	31 March 2012 HK\$ '000 (Audited)
Within one year	3,666	5,013
In the second to fifth years, inclusive	3,184	3,884
Over five years	2,944	2,642
	<b>9,794</b>	<b>11,539</b>

Operating lease payments represent rentals payable by the Group for certain of its office properties and staff quarters. Leases are negotiated for an average term ranging from one to twenty years. No provision for contingent rent was established in the leases.

#### ii) Others

	30 September 2012 HK\$ '000 (Unaudited)	31 March 2012 HK\$ '000 (Audited)
Commitments contracted but not provided in the condensed consolidated financial statements in respect of:		
– Capital injection in an associate	25,906	25,899
– Properties under construction	82,797	105,177
– Acquisition of property, plant and equipment	8,483	6,369
– Acquisition of land use rights	–	173,892
	<b>117,186</b>	<b>311,337</b>

## 14. SHARE-BASED PAYMENT TRANSACTIONS

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

	Number of share options
Outstanding at 1 April 2012 and 30 September 2012	165,492,000

## 15. DEREGISTRATION OF A SUBSIDIARY

On 4 July 2012, the Group's non wholly-owned subsidiary, 北京恒有源康體科技發展有限公司 was deregistered. The assets (liabilities) of this deregistered subsidiary as at the date of deregistration were insignificant. This deregistered subsidiary has no material effect on the Group's turnover, results and cash flows for the Review Period.

## 16. ACQUISITION OF A SUBSIDIARY

On 1 April 2011, there was injection of capital of RMB5,100,000 (approximately HK\$6,059,000) by 恆有源科技發展有限公司, a subsidiary of the Group, to 綿陽市金恒源地能科技有限公司 ("金恒源"). The Group's equity interest in 金恒源 had been increased from nil to 51%. This acquisition has been accounted for using the purchase method. The amount of goodwill arising as a result of the acquisition was approximately HK\$1,299,000. 金恒源 is principally engaged in the production and sales of geothermal energy systems and was acquired with the objective of expanding the Group's business.

Assets acquired and liabilities recognised at the date of which control was obtained are as follows:

	HK\$'000
Property, plant and equipment	405
Bank balances	7,854
Other receivables and deposits	1,419
Inventories	287
Trade payables	(479)
Other payables	(153)
	<hr/>
	9,333

## 16. ACQUISITION OF A SUBSIDIARY (Cont'd)

### Goodwill arising on acquisition

	<i>HK\$'000</i>
Capital injected	6,059
Plus: non-controlling interests	4,573
Less: recognised amount of identifiable net assets acquired (100%)	(9,333)
	<hr/>
Goodwill arising on acquisition of a subsidiary	1,299
	<hr/>

The non-controlling interest of 49% in 金恒源 recognised at the acquisition date was measured by reference to the share of the fair value of the identifiable assets acquired and the liabilities assumed which amounted to approximately HK\$4,573,000 (equivalent to approximately RMB3,849,000).

Goodwill arose on the acquisition of 金恒源 because the acquisition included the sales network of 金恒源 in the local markets, especially in the SiChuan region. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purpose.

### Net cash inflow arising on acquisition:

	<i>HK\$'000</i>
Capital injected	6,059
Less: bank balances acquired	(7,854)
	<hr/>
	(1,795)
	<hr/>

### Impact of acquisition on the results of the Group

Included in the profit for the period is approximately HK\$148,000 (equivalent to approximately RMB122,000) attributable to 金恒源. Revenue for the period includes approximately HK\$5,200,000 (equivalent to approximately RMB4,300,000) attributable to 金恒源.

## 17. RELATED PARTY TRANSACTIONS

- (a) During the periods ended 30 September 2012 and 2011, the Group entered into the following transactions:

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Operating lease payments				
paid to a non-controlling				
shareholder	737	623	1,474	1,245
Rental income from an associate	78	–	2,368	–
Purchase from an associate	4,533	4,916	5,012	7,603
	5,348	5,539	8,854	8,848

- (b) Remuneration of key management personnel

The remuneration of directors and other members of key management during the periods ended 30 September 2012 and 2011 was as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term benefits	1,513	1,863	3,280	3,726
Retirement benefits scheme				
contributions	11	9	21	18
	1,524	1,872	3,301	3,744

## 18. SUBSEQUENT EVENT

On 24 October 2012, a decision has been delivered by the High Court of Hong Kong to strike out the petition issued by Ms. Cheung Kwan on 13 June 2012 pursuant to s.168A Companies Ordinance against the four respondents including Mr. Xu Shengheng and Ms. Chan Wai Kay Katherine, the current executive directors of the Company, Ms. Luk Hoi Man, an ex-director of the Company, and the Company. Apart from the striking out the petition, the High Court has also ordered Ms. Cheung Kwan to pay all the costs of the petition to the abovenamed respondents on an indemnity basis. Details of the issue are set out, inter alia, in the announcement of the Company dated 14 June 2012 and 24 October 2012.

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

As at 30 September 2012, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### (a) Long positions and short positions in shares and equity derivatives

Name of director	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity		Approximate percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Approximate percentage of the aggregate interests
		Interests in shares					
Ms. Chan Wai Kay Katherine (Note 1)	Beneficial owner	34,000,000 (L)		1.17%	17,000,000 (L)	61,074,000 (L)	2.10%
	Interest of spouse	10,074,000 (L)		0.35%	-		
Mr. Xu Shengheng (Note 2)	Beneficial owner	508,319,000 (L)		17.50%	11,600,000 (L)	520,621,000 (L)	17.92%
	Beneficial owner	508,300,000 (S)		17.50%		508,300,000 (S)	17.50%
	Interest of spouse	702,000 (L)		0.02%	-		
Ms. Luk Hoi Man (Note 3)	Beneficial owner	702,000 (L)		0.02%	-		
	Interest of spouse	508,319,000 (L)		17.50%	11,600,000 (L)	520,621,000 (L)	17.92%
	Interest of spouse	508,300,000 (S)		17.50%		508,300,000 (S)	17.50%

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

Notes:

1. Ms. Chan Wai Kay Katherine ("Ms. Chan") is interested in 34,000,000 shares and 17,000,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section. Mr. Chow Ming Joe Raymond ("Mr. Chow"), spouse of Ms. Chan, holds 10,074,000 Shares of the Company ("Shares"). Under the SFO, Ms. Chan is deemed to be interested in 10,074,000 Shares in which Mr. Chow is interested.
2. Mr. Xu Shengheng ("Mr. Xu") is interested in 508,319,000 Shares and 11,600,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section. Ms. Luk Hoi Man ("Ms. Luk"), the spouse of Mr. Xu, holds 702,000 Shares. Therefore, under the SFO, Mr. Xu is deemed to be interested in the 702,000 Shares in which Ms. Luk is interested.
3. Ms. Luk Hoi Man ("Ms. Luk"), the spouse of Mr. Xu Shengheng ("Mr. Xu"), holds 702,000 Shares. Mr. Xu is interested in 508,319,000 Shares and 11,600,000 Shares issuable pursuant to exercise of share options of the Company. Therefore, under the SFO, Ms. Luk is deemed to be interested in 508,319,000 Shares and 11,600,000 underlying shares issuable upon the exercise of the share options of the Company in which Mr. Xu is interested. Ms. Luk resigned as non-executive director of the Company with effect from 24 August 2012.

## (b) Long Position 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 2012, the following directors 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 2012
Ms. Chan Wai Kay Katherine	9 September 2010	9 September 2010 to 8 September 2020	0.426	17,000,000
Mr. Xu Shengheng	9 September 2010	9 September 2010 to 8 September 2020	0.426	11,600,000
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.426	1,500,000
Mr. Chow Wan Hoi Paul*	9 September 2010	9 September 2010 to 8 September 2020	0.426	1,500,000

\* Mr. Chow Wan Hoi Paul resigned as director of the Company on 31 July 2012.

Save as disclosed above, as at 30 September 2012, 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 2012, 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)	Beneficial owner	850,000,000 (L)		29.26%	-	850,000,000 (L)	29.26%
China Energy Conservation and Environmental Protection Group (Note)	Interest of controlled corporation	850,000,000 (L)		29.26%	-	850,000,000 (L)	29.26%

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



Note:

China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited is a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group ("CECEP"), therefore, under the SFO, CECEP is deemed to be interested in 850,000,000 Shares.

Save as disclosed above, as at 30 September 2012, 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 2012, options to subscribe for an aggregate of 165,492,000 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 30 September 2012 were as follows:

Date of grant of share options	As at 1 April 2012	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 September 2012	Vesting period of share options	Exercise period of share options	Exercise price per share HK\$
9 September 2010	70,492,000	-	-	-	70,492,000	-	9 September 2010 to 8 September 2020	0.4260
9 September 2010	31,666,667	-	-	-	31,666,667	9 September 2010 to 8 September 2011	9 September 2010 to 8 September 2020	0.4260
9 September 2010	31,666,667	-	-	-	31,666,667	9 September 2010 to 8 September 2012	9 September 2010 to 8 September 2020	0.4260
9 September 2010	31,666,666	-	-	-	31,666,666	9 September 2010 to 8 September 2013	9 September 2010 to 8 September 2020	0.4260
	165,492,000	-	-	-	165,492,000			

## 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.

## **CODE ON CORPORATE GOVERNANCE PRACTICE**

The Company has complied with the code provisions of the Code on Corporate Governance Practice set out in Appendix 15 of the GEM Listing Rules throughout the Review Period.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference which deal clearly with its authority and duties. The audit committee's primary duties are to review and to supervise the financial reporting process and internal control system of the Group and to provide advice and comments to the directors of the Company.

The audit committee currently comprises three independent non-executive Directors, namely, Mr. Jia Wenzeng, Mr. Hu Zhaoguang and Mr. Wu Desheng. Mr. Jia Wenzeng is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited results for the Review Period and has provided advice and comment thereon.

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors and the Company was not aware of any non-compliance with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors during the Review Period.

## **CHANGES IN INFORMATION OF DIRECTORS**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the Company discloses the changes in information of the Directors as follows:

On 24 April 2012, Mr. Wu Shu Min has resigned as executive Director of the Company.

On 24 April 2012, Mr. Fu Hui Zhong has resigned as non-executive Director of the Company.

On 30 July 2012, Mr. Hu Zhaoguang has been appointed as independent non-executive Director, chairman of remuneration committee and members of audit committee and nomination committee of the Company.

On 31 July 2012, Mr. Chow Wan Hoi Paul has resigned as independent non-executive Director, chairman of remuneration committee and members of audit committee and nomination committee of the Company.

On 24 August 2012, Ms. Luk Hoi Man has resigned as non-executive Director of the Company.

On 24 August 2012, Mr. Zheng Qiyu has been appointed as executive Director of the Company and Ms. Wu Xiaohua, Ms. Xu Genghong and Mr. Zang Yiran have been appointed as non-executive Directors of the Company.

On 29 August 2012, Mr. Zheng Qiyu has been appointed as chairman of the Board and Ms. Chan Wai Kay Katherine has been re-designated as deputy chairman of the Board.

On 29 August 2012, Mr. Zheng Qiyu and Mr. Xu Shengheng have been appointed as chairman and deputy chairman of the strategic committee of the Company respectively. Ms. Chan Wai Kay Katherine, Ms. Wu Xiaohua and Ms. Xu Genghong have been appointed as members of strategic committee of the Company.

On 29 August 2012, Mr. Zheng Qiyu and Ms. Wu Xiaohua have been appointed as chairman and deputy Chairman of the nomination committee of the Company respectively. Mr. Hu Zhaoguang, Mr. Wu Desheng and Mr. Jia Wenzeng have been appointed as members of nomination committee of the Company.

On 29 August 2012, Mr. Hu Zhaoguang and Mr. Zheng Qiyu have been appointed as chairman and deputy chairman of the remuneration committee of the Company respectively. Mr. Xu Shengheng, Mr. Wu Desheng and Mr. Jia Wenzeng have been appointed as members of remuneration committee of the Company.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the Review Period, 10,584,000 shares of US\$0.01 each were repurchased by the Company at prices ranging from HK\$0.36 to HK\$0.40 per share through the Stock Exchange.

As at the date of this report, the Board comprises Mr. Zheng Qiyu, Ms. Chan Wai Kay, Katherine and Mr. Xu Shengheng as executive Directors, Ms. Wu Xiaohua, Ms. Xu Genghong and Mr. Zang Yiran as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Hu Zhaoguang as independent non-executive Directors.

By Order of the Board of  
**China Ground Source Energy Limited**  
**Zheng Qiyu**  
*Chairman*

Hong Kong, 13 November 2012