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

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

FINAL RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 31 DECEMBER 2012

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GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

This announcement will remain on the "Latest Company Announcement" page on the GEM website for at least 7 days from the date of publication and on the website of China Ground Source Energy Limited at www.cgsenergy.com.hk.

FINAL RESULTS

The board of directors ("Board") of China Ground Source Energy Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the nine months ended 31 December 2012, together with the comparative figures for the year ended 31 March 2012 as follows:

CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2012

	Notes	**Nine months ended 31 December 2012** *HK$'000*	Year ended 31 March 2012 *HK$'000* (Restated)
Turnover	4	**230,990**	318,079
Revenue	5	**230,990**	318,079
Cost of sales		**(151,710)**	(171,279)
Gross profit		**79,280**	146,800
Other income	6	**41,910**	18,809
Selling and distribution expenses		**(12,926)**	(9,236)
Administrative expenses		**(72,413)**	(67,739)
Other operating expenses		**(610)**	(354)
Allowance for doubtful debts		**(53)**	(4,095)
Reversal of allowance for doubtful debts		**52**	4,485
Profit from operations		**35,240**	88,670
Fair value changes on investment properties		**44,646**	22,685
Share of results of associates		**(423)**	(3,852)
Gain on deregistration of subsidiaries		**176**	669
Share-based payments		**(3,491)**	(8,992)
Finance costs	7	**(2,647)**	(925)
Profit before tax		**73,501**	98,255
Income tax expense	8	**(27,445)**	(43,895)
Profit for the period/year		**46,056**	54,360
Profit for the period/year attributable to:			
Owners of the Company		**45,951**	45,204
Non-controlling interests		**105**	9,156
		46,056	54,360
Earnings per share	10		
Basic (HK cents)		**1.86**	2.19
Diluted (HK cents)		**1.86**	2.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2012

	Nine months ended 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
		(Restated)
Profit for the period/year	**46,056**	54,360
Other comprehensive income (expense)		
Exchange differences arising on translation of foreign operations	**7,225**	16,196
Share of other comprehensive income of associates	**315**	1,351
Fair value change on the transfer of prepaid lease payments and property, plant and equipment to investment properties at transfer date	**–**	32,005
Deferred tax on fair value change on the transferred prepaid lease payments and property, plant and equipment at transfer date	**–**	(7,994)
(Loss) gain on leasehold land and building revaluation	**(326)**	477
Reclassification adjustments for the cumulative gain (loss) transferred to profit or loss:		
– release of exchange translation reserve upon deregistration of subsidiaries	**98**	(1,203)
Other comprehensive income for the period/year	**7,312**	40,832
Total comprehensive income for the period/year	**53,368**	95,192
Total comprehensive income attributable to:		
Owners of the Company	**52,853**	84,774
Non-controlling interests	**515**	10,418
	53,368	95,192

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Notes	**31 December 2012** *HK$'000*	31 March 2012 *HK$'000* (Restated)
Non-current assets			
Property, plant and equipment		**38,653**	34,638
Investment properties		**245,692**	152,592
Deposit paid for acquisition of land use rights		**238,500**	61,664
Goodwill		**445,850**	445,850
Intangible assets		**–**	971
Interests in associates		**61,334**	62,896
Available-for-sale investments		**498**	493
Other receivable		**–**	1,865
Deferred tax assets		**21,876**	21,690
		1,052,403	782,659
Current assets			
Inventories		**23,899**	20,779
Properties held for sale under development		**89,571**	–
Trade and retention receivables	11	**87,060**	56,456
Prepayments, deposits and other receivables		**73,878**	61,782
Consideration receivable		**53,486**	–
Amounts due from customers for contract work		**448,513**	413,690
Amount due from an associate		**4,237**	6,048
Held-for-trading financial assets		**45**	25
Short-term bank deposits		**–**	2,467
Cash held at non-bank financial institutions		**1,262**	–
Bank balances and cash		**156,459**	135,539
		938,410	696,786
Current liabilities			
Trade payables	12	**126,818**	103,658
Accrued liabilities, deposits received and other payables		**100,284**	70,445
Amounts due to customers for contract work		**12,121**	15,440
Amounts due to non-controlling shareholders		**16,117**	12,376
Amounts due to associates		**20,512**	15,727
Bank loan		**–**	2,467
Tax payable		**61,619**	49,896
		337,471	270,009
Net current assets		**600,939**	426,777
Total assets less current liabilities		**1,653,342**	1,209,436

	31 December 2012	31 March 2012
	HK$'000	*HK$'000*
		(Restated)
Non-current liabilities		
Receipt in advance	**67,308**	32,408
Deferred income	**7,463**	14,794
Deferred tax liabilities	**38,753**	22,933
	113,524	70,135
Net assets	**1,539,818**	1,139,301
Capital and reserves		
Share capital	**226,053**	161,092
Reserves	**1,274,085**	939,041
Equity attributable to owners of the Company	**1,500,138**	1,100,133
Non-controlling interests	**39,680**	39,168
Total equity	**1,539,818**	1,139,301

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 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$'000* *(Note c)*	Special reserve *HK$'000* *(Note d)*	Capital reserve *HK$'000* *(Note e)*	Share-based payment reserve *HK$'000*	Exchange translation reserve *HK$'000*	(Accumulated losses) Retained earnings *HK$'000*	Total *HK$'000*	Non–controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2011	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 year	–	–	–	–	–	–	–	–	–	45,204	45,204	9,156	54,360
Other comprehensive income (expense) for the year													
Fair value change on transfer of prepaid lease payments and property, plant and equipment to investment properties at transfer date	–	–	–	32,005	–	–	–	–	–	–	32,005	–	32,005
Gain on leasehold land and building revaluation	–	–	–	477	–	–	–	–	–	–	477	–	477
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	1,351	–	1,351	–	1,351
Deferred tax on fair value change on the transferred prepaid lease payments and property, plant and equipment at transfer date	–	–	–	(7,994)	–	–	–	–	–	–	(7,994)	–	(7,994)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	14,934	–	14,934	1,262	16,196
Reclassification adjustments for the cumulative loss transferred to profit or loss:													
– release of exchange translation reserve upon deregistration of subsidiaries	–	–	–	–	–	–	–	–	(1,203)	–	(1,203)	–	(1,203)
Total other comprehensive income for the year	–	–	–	24,488	–	–	–	–	15,082	–	39,570	1,262	40,832
Total comprehensive income for the year	–	–	–	24,488	–	–	–	–	15,082	45,204	84,774	10,418	95,192
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	8,067	8,067
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(2,505)	(2,505)
Recognition of share-based payment expenses	–	–	–	–	–	–	–	8,992	–	–	8,992	–	8,992
Reduction of issued share capital	(483,276)	–	–	–	483,276	–	–	–	–	–	–	–	–
Utilisation of the contributed surplus	–	–	–	–	(328,895)	–	–	–	–	328,895	–	–	–
Lapse of share option	–	–	–	–	–	–	–	(18,767)	–	18,767	–	–	–
Appropriations	–	–	117	–	–	–	–	–	–	(117)	–	–	–
At 31 March 2012, as restated	161,092	624,541	2,211	24,488	154,381	(1,694)	32,235	29,705	35,740	37,434	1,100,133	39,168	1,139,301

	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$'000* *(Note c)*	Special reserve *HK$'000* *(Note d)*	Capital reserve *HK$'000* *(Note e)*	Share-based payment reserve *HK$'000*	Exchange translation reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2012, as restated	161,092	624,541	2,211	24,488	154,381	(1,694)	32,235	29,705	35,740	37,434	1,100,133	39,168	1,139,301
Profit for the period	–	–	–	–	–	–	–	–	–	45,951	45,951	105	46,056
Other comprehensive income (expense) for the period													
Loss on leasehold land and building revaluation	–	–	–	(326)	–	–	–	–	–	–	(326)	–	(326)
Share of other comprehensive income of associates	–	–	–	–	–	–	–	–	315	–	315	–	315
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	–	6,815	–	6,815	410	7,225
Reclassification adjustments for the cumulative gain transferred to profit or loss:													
– release of exchange translation reserve upon deregistration of subsidiaries	–	–	–	–	–	–	–	–	98	–	98	–	98
Total other comprehensive income for the period	–	–	–	(326)	–	–	–	–	7,228	–	6,902	410	7,312
Total comprehensive income for the period	–	–	–	(326)	–	–	–	–	7,228	45,951	52,853	515	53,368
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(3)	(3)
Recognition of share-based payment expenses	–	–	–	–	–	–	–	3,491	–	–	3,491	–	3,491
Share repurchased and cancelled	(974)	(3,765)	–	–	–	–	–	–	–	–	(4,739)	–	(4,739)
Issue of subscription shares	65,935	282,565	–	–	–	–	–	–	–	–	348,500	–	348,500
Subscription shares issue expenses	–	(100)	–	–	–	–	–	–	–	–	(100)	–	(100)
At 31 December 2012	226,053	903,241	2,211	24,162	154,381	(1,694)	32,235	33,196	42,968	83,385	1,500,138	39,680	1,539,818

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) Contributed surplus represents the cancellation of the paid-up capital and set off against the accumulated losses.

(d) Special reserve represents the reserve arising from acquisition of additional interests of a subsidiary from non-controlling interests.

(e) Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes in prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 31 December 2012

1. GENERAL AND BASIS OF PREPARATION

China Ground Source Energy Limited (the "Company") was incorporated in the Cayman Islands on 14 December 1999 as an exempted company with limited liability under the Company Law (1998 Revision) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 November 2001.

During the current financial period, the reporting period end date of the Company was changed from 31 March to 31 December to align the financial year end date of the Company with the financial year end date of the Company's PRC operating subsidiaries and thereby streamlining the preparation of the consolidated financial statements of the Company. Accordingly, the financial statements for the current period cover the nine-month period from 1 April 2012 to 31 December 2012. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes covered a twelve-month period from 1 April 2011 to 31 March 2012 and therefore may not be comparable with amounts shown for the current period.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") which is different from the functional currency of the Company, Renminbi ("RMB"). As the Company is listed in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$. The majority of the Company's subsidiaries are operating in the PRC with RMB as their functional currency.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Company and its subsidiaries (collectively referred to as the "Group") has adopted the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 1	As part of Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in 2012;
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters;
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets; and
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

Except as described below, the application of the new and revised standards has had no material impact on the Group's performance and positions for the current period and prior year and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 Presentation of Financial Statements
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 – 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In the current period, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current period, the Group has applied the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets for the first time, which has not resulted any effect on the information in the consolidated statement of financial position as at 1 April 2011. Accordingly, the Group has not presented a third statement of financial position as at 1 April 2011 and the related notes.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

The Group has applied for the first time the amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets in the current period. Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that certain of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, the directors have determined that the 'sale' presumption set out in the amendments to HKAS 12 is not rebutted.

The application of the amendments to HKAS 12 has resulted in the Group recognising deferred taxes on changes in fair value of the investment properties as the Group is subject to PRC Enterprise Income Tax ("PRC EIT") and Land Appreciation Tax ("LAT") on disposal of its investment properties. Previously, the Group recognised deferred taxes on changes in fair value of investment properties on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by approximately HK$9,119,000 as at 31 March 2012, with the corresponding debit being recognised in retained earnings. However, the deferred tax remained unchanged as at 1 April 2011 as the Group had no investment properties at 1 April 2011 and accordingly the amendments to HKAS 12 has not resulted in any effect on the information presented in the consolidated statement of financial position as at 1 April 2011.

The change in accounting policy has resulted in the Group's income tax expense for the nine months ended 31 December 2012 and year ended 31 March 2012 being increased by approximately HK$10,246,000 and HK$9,033,000 respectively and hence resulted in profit for the nine months ended 31 December 2012 and year ended 31 March 2012 being decreased by approximately HK$10,246,000 and HK$9,033,000 respectively.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the consolidated statement of financial position of the Group as at 1 April 2011 and 31 March 2012 is as follows:

	As at 1/4/2011 (originally stated)	Adjustment	As at 1/4/2011 (restated)	As at 31/3/2012 (originally stated)	Adjustment	As at 31/3/2012 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax liabilities	–	–	–	13,814	9,119	22,933
Net assets	1,029,555	–	1,029,555	1,148,420	(9,119)	1,139,301
(Accumulated loss) retained earnings	(355,315)	–	(355,315)	46.464	(9,030)	37,434
Exchange translation reserve	20,658	–	20,658	35,826	(86)	35,740
Equity attributable to owners of the Company	1,006,367	–	1,006,367	1,109,249	(9,116)	1,100,133
Non-controlling interest	23,188	–	23,188	39,171	(3)	39,168
Total equity	1,029,555	–	1,029,555	1,148,420	(9,119)	1,139,301

The effects of changes in accounting policies described above on the consolidated income statement of the Group for the nine months ended 31 December 2012 and year ended 31 March 2012 is as follows:

	For the nine months ended 31 December 2012		
	Originally stated	**Adjustment**	**Restated**
	HK$'000	***HK$'000***	***HK$'000***
Income tax expense	**17,199**	**10,246**	**27,445**

	For the year ended 31 March 2012		
	Originally stated	Adjustment	Restated
	HK$'000	*HK$'000*	*HK$'000*
Income tax expense	34,862	9,033	43,895

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current period and prior year are as follows:

Impact on basic and diluted earnings per share

	Impact on basic earnings per share		**Impact on diluted earnings per share**	
	Nine months ended 31 December 2012	Year ended 31 March 2012	**Nine months ended 31 December 2012**	Year ended 31 March 2012
	HK cents	*HK cents*	***HK cents***	*HK cents*
Figures before adjustment	**2.27**	2.63	**2.27**	2.62
Adjustments arising from changes in the Group's accounting policies in relation to:				
– application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**(0.41)**	(0.44)	**(0.41)**	(0.43)
Figures after adjustment	**1.86**	2.19	**1.86**	2.19

New and revised HKFRSs issued but not yet effective

The Group has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

Amendments to HKFRSs	Annual Improvements 2009 – 2011 Cycle, except for the amendments to HKAS 1 early adopted[2]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[4]
HKFRS 9	Financial Instruments[4]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosures of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Transition Guidance[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[3]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[1]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
Amendments to HK (International Financial Reporting Interpretation Committee) – Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2012.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 January 2014.
[4] Effective for annual periods beginning on or after 1 January 2015.

Annual Improvements to HKFRSs 2009 – 2011 Cycle issued in June 2012

Annual Improvements to HKFRSs 2009 – 2011 Cycle include a number of amendments to various HKFRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. Amendments to HKFRSs include the amendments to HKAS 16 Property, Plant and Equipment and the amendments to HKAS 32 Financial Instruments: Presentation.

The amendments to HKAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in HKAS 16 and as inventory otherwise. The director does not anticipate that the application of the amendments will have a material effect on the Group's consolidated financial statements.

The amendments to HKAS 32 clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with HKAS 12 Income Taxes. The directors of the Company anticipate that the amendments to HKAS 32 will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities and amendments to HKFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to HKFRS 7 are effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

The directors of the Company anticipate that the application of these amendments to HKAS 32 and HKFRS 7 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors of the Company anticipate that the adoption of HKFRS 9 in the future may affect the classification and measurement of the Group's available-for-sale financial assets and may have significant impact on amounts reported in respect of the Group's other financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. HK (SIC)-Int 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 Interests in Joint Ventures. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC) – Int 13 Jointly Controlled Entities – Non-monetary Contributions by Venturers will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application permitted provided that all of these standards are applied at the same time.

The directors of the Company anticipate that the application of these five standards may not have significant impact on the amounts reported in the consolidated financial statements under the current group structure.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The amendments to HKFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity is investment activities. Under the amendments to HKFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

– obtain funds from one or more investors for the purpose of providing them with professional investment management services;

– commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

– measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to HKFRS 12 and HKAS 27 have been made to introduce new disclosure requirements for investment entities.

The amendments to HKFRS 10, HKFRS 12 and HKAS 27 are effective for annual periods beginning on or after 1 January 2014, with early application permitted. The directors of the Company anticipate that the application of the amendments will have no effect on the Group as the Company is not an investment entity.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 Financial Instruments: Disclosures will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that application of the new standard may affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

HKAS 19 (as revised in 2011) Employee Benefits

The amendments to HKAS 19 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net-interest' amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

The amendments to HKAS 19 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The directors of the Company anticipate that the application of the amendments to HKAS 19 has no significant impact on the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

The directors of the Company anticipated that the application of other new and revised standards, amendments or interpretation would have no material impact on the results and the financial positions of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for leasehold land and building, investment properties and certain financial instruments, which are measured at revalued amounts or fair values. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

4. TURNOVER

Turnover represents the net amounts received and receivable for goods sold to customers, net of allowance for returns and trade discounts where applicable and services rendered as well as gross rental income received from investment properties. An analysis of the Group's turnover for the period/year is as follows:

	Nine months ended 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Sales and installation of shallow ground energy utilisation System	**221,232**	313,127
Maintenance services for shallow ground energy utilisation System	**4,239**	445
Rental income *(Note (i))*	**5,519**	4,507
	230,990	318,079

(i) An analysis of the Group's net rental income is as follows:

	Nine months ended 31 December 2012	Year ended 31 March 2012
	HK$'000	*HK$'000*
Gross rental income	**5,519**	4,507
Less: direct operating expenses from investment properties that generated rental income during the period/year	**(677)**	(611)
Net rental income	**4,842**	3,896

5. 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 investment and trading segment – trading of investment securities; and

(c) Properties investment and development segment – investment in properties for its potential rental income and sales.

No operating segment identified by the chief operating decision maker have been aggregated in arriving at the reportable segment of the Group.

Segment revenue and results

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

For the nine months ended 31 December 2012

	Shallow ground energy *HK$'000*	**Securities investment and trading** *HK$'000*	**Properties investment and development** *HK$'000*	**Total** *HK$'000*
REVENUE				
External sales	**225,471**	**–**	**5,519**	**230,990**
Segment results	**41,148**	**(4,057)**	**68,417**	**105,508**
Share of results of associates				**(423)**
Unallocated other income				**1,870**
Unallocated expenses				**(33,401)**
Unallocated finance costs				**(53)**
Profit before tax				**73,501**

For the year ended 31 March 2012

	Shallow ground energy *HK$'000*	Securities investment and trading *HK$'000*	Properties investment and development *HK$'000*	Total *HK$'000*
REVENUE				
External sales	313,572	–	4,507	318,079
Segment results	125,549	(2,027)	24,924	148,446
Share of results of associates				(3,852)
Unallocated other income				2,057
Unallocated expenses				(48,348)
Unallocated finance costs				(48)
Profit before tax				98,255

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit or loss represents profit earned by or loss from each segment without allocation of share of results of associates, interest income, certain other income, gain on deregistration of subsidiaries, central administration costs, share-based payments and interest on bank loan. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

Segment assets

	31 December 2012 ***HK$'000***	31 March 2012 *HK$'000*
Shallow ground energy	**1,146,007**	1,077,916
Securities investment and trading	**9,646**	3,084
Properties investment and development	**591,254**	169,805
Total segment assets	**1,746,907**	1,250,805
Unallocated corporate assets	**243,906**	228,640
Consolidated total assets	**1,990,813**	1,479,445

Segment liabilities

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000* (Restated)
Shallow ground energy	**225,920**	201,783
Securities investment and trading	**3,192**	2,389
Properties investment and development	**84,882**	32,573
Total segment liabilities	**313,994**	236,745
Unallocated corporate liabilities	**137,001**	103,399
Consolidated total liabilities	**450,995**	340,144

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than interests in associates, deferred tax assets, short-term bank deposits, amount due from an associate, bank balances and cash and unallocated corporate assets; and

- all liabilities are allocated to operating segments other than amounts due to non-controlling shareholders, amount due to associates, bank loan, deferred tax liabilities and tax payable.

Other segment information

For the nine months ended 31 December 2012

	Shallow ground energy *HK$'000*	Securities investment and trading *HK$'000*	Properties investment and development *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets *(Note)*	**7,811**	**42**	**950**	**8,803**
Development cost paid to investment properties under construction	**–**	**–**	**82,867**	**82,867**
Additions to properties held for sale under development	**–**	**–**	**51,955**	**51,955**
Reversal of allowance for doubtful debts	**(52)**	**–**	**–**	**(52)**
Depreciation and amortisation	**2,661**	**296**	**649**	**3,606**
Allowance for doubtful debts	**53**	**–**	**–**	**53**
Fair-value changes on held-for-trading financial assets	**–**	**(20)**	**–**	**(20)**
Fair-value changes on investment properties	**–**	**–**	**(44,646)**	**(44,646)**
Imputed interest income on other receivables	**(346)**	**–**	**–**	**(346)**
Imputed interest income on receipt in advance	**–**	**–**	**(17,002)**	**(17,002)**
Imputed interest expense on receipt in advance	**–**	**–**	**2,594**	**2,594**
Gain on disposal of property, plant and equipments	**(2,523)**	**–**	**–**	**(2,523)**
Gain on disposal of land use right	**–**	**–**	**(4,924)**	**(4,924)**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interests in associates	**61,334**	**–**	**–**	**61,334**
Share of results of associates	**423**	**–**	**–**	**423**
Interest income	**(1,072)**	**–**	**–**	**(1,072)**
Interest expenses	**53**	**–**	**–**	**53**
Income tax expenses	**11,985**	**–**	**15,460**	**27,445**

For the year ended 31 March 2012

	Shallow ground energy *HK$'000*	Securities investment and trading *HK$'000*	Properties investment and development *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:				
Additions to non-current assets *(Note)*	8,658	1,411	6,977	17,046
Development cost paid to investment properties under construction	–	–	56,752	56,752
Reversal of allowance for doubtful debts	(4,485)	–	–	(4,485)
Depreciation and amortisation	3,848	418	638	4,904
Allowance for doubtful debts	4,095	–	–	4,095
Fair-value changes on held-for-trading financial assets	–	25	–	25
Fair-value changes on investment properties	–	–	(22,685)	(22,685)
Imputed interest income on other receivable	(699)	–	–	(699)
Imputed interest income on receipt in advance	–	–	(5,424)	(5,424)
Imputed interest expense on receipt in advance	–	–	877	877
Loss on disposal of property, plant and equipments	131	–	–	131
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interests in associates	62,896	–	–	62,896
Share of results of associates	3,852	–	–	3,852
Interest income	(746)	–	–	(746)
Interest expenses	48	–	–	48
Income tax expense	29,191	–	14,704	43,895

Note: Non-current assets excluded goodwill, investment properties, deposit paid for acquisition of land use rights, interests in associates, available-for-sale investments, non-current portion of other receivable and deferred tax assets.

Geographical information

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

Information about major customers

The Group did not have customer with whom transactions have exceeded 10% of the Group's aggregate revenue during the period/year.

6. OTHER INCOME

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Bank interest income	**1,072**	746
Government grants *(Note)*	**8,755**	10,343
Gain on disposal of property, plant and equipment	**2,523**	–
Gain on disposal of land use rights	**4,924**	–
Change in fair value of held-for-trading financial assets	**20**	–
Compensation received	**2,387**	–
Sale of scrap materials	**4,311**	797
Imputed interest income on other receivables	**346**	699
Imputed interest income on receipt in advance	**17,002**	5,424
Others	**570**	800
	41,910	18,809

Note: Included in the amount of government grants recognised during the nine months ended 31 December 2012, approximately HK$1,375,000 (year ended 31 March 2012: HK$3,497,000) were received in respect of certain research projects of the Group and the Group fulfilled the relevant granting criteria which made the Group to recognise the government grants as other income immediately for the period/year. Approximately HK$7,380,000 (year ended 31 March 2012: HK$6,846,000) were government grants utilised during the period/year.

7. FINANCE COSTS

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000*
Interest on bank loan wholly repayable within five years	**53**	48
Imputed interest expense on receipt in advance	**2,594**	877
	2,647	925

8. INCOME TAX EXPENSE

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000* (Restated)
Current tax:		
PRC EIT	**11,984**	28,871
Under provision in prior years:		
PRC EIT	**1**	–
Hong Kong Profits Tax	**–**	223
Deferred tax:		
PRC EIT	**5,214**	5,768
LAT	**10,246**	9,033
	27,445	43,895

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 the period/year.

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

Under the Law of the People's Republic of China 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.

According to the requirements of the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例) effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT (中華人民共和國土地增值稅暫行條例實施細則) effective from 27 January 1995 as well, all income from the sale or transfer of land use rights, buildings and their attached facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value as calculated according to the Provisional Regulations of the PRC on LAT and its Detailed Implementation Rules.

Pursuant to the income tax rules and regulations of the PRC, certain foreign investment subsidiaries were recognised as high technology enterprise in 2008 and the income tax rate applicable to these subsidiaries are 15% for the nine months ended 31 December 2012 (year ended 31 March 2012: 15%).

The tax expense for the period/year can be reconciled to the profit before tax per the consolidated income statement as follows:

	Nine months ended 31 December 2012 HK$'000	Year ended 31 March 2012 HK$'000 (Restated)
Profit before tax	**73,501**	98,255
Tax at the domestic income tax rate	**20,179**	27,197
Under-provision in prior years	**1**	223
Tax effect of share of results of associates	**68**	912
Tax effect of expenses not deductible for tax purpose	**8,147**	10,022
Tax effect on investment properties for deferred tax purposes	**4,298**	9,033
Tax effect of income not taxable for tax purpose	**(3,117)**	(657)
Income tax on concessionary rate	**(2,131)**	(2,835)
Tax expense for the period/year	**27,445**	43,895

9. DIVIDENDS

Final dividend for the nine months ended 31 December 2012

A final dividend of HK0.4 cents per ordinary share in respect of the nine months ended 31 December 2012 has been proposed by the directors.

A final dividend for the nine months ended 31 December 2012 is subject to the approval by the Company's shareholders in the forthcoming annual general meeting.

Final dividend for the year ended 31 March 2012

No dividend was paid or proposed for the year ended 31 March 2012, nor has any dividend been proposed since the end of the reporting period.

10. 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:

	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 *HK$'000* (Restated)
Earnings		
Profit for the period/year attributable to owners of the Company and for the purpose of basic and diluted earnings per share	**45,951**	45,204

	Nine months ended 31 December 2012 *'000*	Year ended 31 March 2012 *'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,474,655**	2,065,307
Effect of dilutive potential ordinary shares:		
Share options *(Note)*	**–**	2,001
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,474,655**	2,067,308

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Note: The computation of diluted earnings per share does not assume the exercise of the Company's options because the exercise price of those options was higher than the average market price of the shares for the nine months ended 31 December 2012.

11. TRADE AND RETENTION RECEIVABLES

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Trade receivables	**59,550**	54,747
Retention receivables	**36,070**	10,188
Less: allowance for doubtful debts	**(8,560)**	(8,479)
	87,060	56,456

The Group generally grants credit period of 30 to 180 days to its customer. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon the customers' request and normally within 365 days. The Group does not hold any collateral over these balances. The retention receivables credit period were usually one to two years, and different on case by case basis. The following aging analysis of trade receivables is presented based on the invoice date at the end of the reporting period.

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Within 90 days	**6,124**	2,002
91 to 180 days	**2,910**	3,495
181 to 365 days	**11,321**	10,061
Over 365 days	**30,635**	30,710
	50,990	46,268

Included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK$30,635,000 (31 March 2012: HK$30,710,000) which were past due as at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts were still considered recoverable.

The ageing of trade receivables which were past due but not impaired is as follows:

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Over 365 days	**30,635**	30,710

The Group's neither past due nor impaired trade receivables mainly represented sales made to creditworthy customers for whom there was no recent history of default.

Allowance in respect of trade receivables is recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the allowance is written off against trade receivables balance directly. The movement in the allowance for doubtful debts is as follows:

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Balance at the beginning of the period/year	**8,479**	8,568
Exchange realignment	**80**	301
Impairment losses recognised on trade receivables	**53**	4,095
Impairment losses reversed	**(52)**	(4,485)
Balance at the end of the period/year	**8,560**	8,479

Included in the allowance for doubtful debts were individually impaired trade receivables with an aggregate balance of approximately HK$8,560,000 (31 March 2012: HK$8,479,000) which have been placed in severe financial difficulties.

12. TRADE PAYABLES

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

	31 December 2012 *HK$'000*	31 March 2012 *HK$'000*
Within 90 days	**12,406**	39,765
91 to 180 days	**7,105**	16,685
181 to 365 days	**26,686**	10,355
Over 365 days	**80,621**	36,853
	126,818	103,658

The average credit period on purchases of goods is from 90 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

13. EVENTS AFTER THE REPORTING PERIOD

(i) On 4 February 2013, Ever Source Science and Technology Development Group Limited ("HYY"), a subsidiary of the Company, and China Energy Conservation and Environmental Protection New Material Investment Co. Ltd, a connected person to the Group, have entered into the capital increment agreement ("Capital Increment Agreement"). Pursuant to the Capital Increment Agreement, HYY has agreed to subscribe for approximately 15.35% equity interest in Fujian China Energy Conservation and Environmental Protection Quancheng Investment Co., Ltd. at a total consideration of RMB40,000,000 (equivalent to approximately HK$49,826,000). Details of the subscription are set out in the announcement of the Company dated 4 February 2013.

(ii) On 6 February 2013, the Company offered 200,000,000 share options to the directors, chief executives, employees and business associates of the Company for a total of 200,000,000 ordinary shares of US$0.01 each in the share capital of the Company at an exercise price of HK$0.426 per share. Among the 200,000,000 share options offered, 190,500,000 share options were accepted. Details of grant of share options are set out in the announcement of the Company dated 6 February 2013 and 12 March 2013.

(iii) On 21 February 2013, a strategic co-operation framework agreement was entered into between the Company and Accord Sunny investments Limited ("Accord Sunny"), an independent third party not connected to the Group, pursuant to which a preliminary cooperation framework in relation to the acquisition of the Land and the investment of the construction on the Land has been agreed. The consideration for acquisition of the Land shall be paid by Accord Sunny or its wholly-owned subsidiary. Details of the co-operation framework agreement are set out in the announcement of the Company dated 21 February 2013.

(iv) On 21 March 2013, the Company entered into the framework agreement ("Framework Agreement") with China Energy Conservation and Environmental Protection Group Company ("CECEP"). Pursuant to the Framework Agreement, CECEP and its subsidiaries agreed to purchase and the Company and its subsidiaries agreed to sell the products using "HYY single-well circulation for heat exchange geothermal energy collection technology" and the operational services provided by the Group's subsidiaries. The term of the Framework Agreement is from the date of the independent shareholders' approval of the Framework Agreement or 1 May 2013, whichever is the later to 31 December 2015. The annual caps for the transactions contemplated thereunder shall not be more than the amounts prescribed pursuant to the Framework Agreement. Details of the proposed continuing connected transactions are set out in the announcement of the Company dated 21 March 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

In September 2012, the Board of the Company resolved to change the financial year end date of the Company from 31 March to 31 December. The change of the Company's financial year end date is 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. As a result of the change of the financial year end date, the current financial report only covers a nine-month period beginning from 1 April 2012 to 31 December 2012 and all the percentages are comparing a nine-month period to twelve-month period.

HIGHLIGHTS

The Group's profit attributable to shareholders for the nine months ended 31 December 2012 was approximately HK$46 million on a turnover of approximately HK$231 million, compared with a profit of approximately HK$45 million (restated) on a turnover of approximately HK$318 million for the year ended 31 March 2012.

FINANCIAL REVIEW

The following table provides a brief summary of the financial results of the Group. For more detailed information, please refer to the consolidated financial statements for the nine months ended 31 December 2012 and the year ended 31 March 2012.

	Nine months ended 31 December 2012		Twelve months ended 31 March 2012	
	HK$'000	*%*	*HK$'000*	*%*
Turnover:				
– Shallow ground energy utilisation system	**225,471**	**98**	313,572	99
– Securities investment and trading	**–**	**–**	–	–
– Properties investment and development	**5,519**	**2**	4,507	1
Total turnover	**230,990**	**100**	318,079	100

TURNOVER AND PROFITS

Total turnover from operations for the nine months ended 31 December 2012 were approximately HK$231 million, as compared with approximately HK$318 million for year ended 31 March 2012. Turnover from shallow ground energy utilisation system was decreased due to the fact that only nine months were covered in the current financial period.

During the nine months ended 31 December 2012 under review, the Group recorded net profit of approximately HK$46 million compared with a profit of approximately HK$54 million for the year ended 31 March 2012. The decrease in net profit was primarily due to the decrease in the gross profit.

GROSS PROFIT MARGIN

Gross profit from the Group's operations for the nine months ended 31 December 2012 was approximately HK$79 million or, as a percentage of revenue, 34.3% (year ended 31 March 2012: HK$147 million, 46.2% of revenue). The decrease in gross profit margin was mainly attributable to the rising prices of raw materials and labour costs.

SELLING & DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

Selling and distribution expenses for the nine months ended 31 December 2012 increased by approximately HK$4 million, or 40% as compared with that of the year ended 31 March 2012. The increase is primarily due to the increase of after sales service cost of company projects.

Administrative expenses amounted to approximately HK$72 million for the nine months ended 31 December 2012 and approximately HK$67 million for the year ended 31 March 2012. The expenses were increased slightly as compared with the last year.

SEGMENTAL INFORMATION

The Group's reportable and operating segment consists of shallow ground energy utilisation, securities investment and trading and properties investment and development segments.

Shallow Ground Energy Utilisation

The Group continued to put a great effort in promoting the shallow ground energy utilisation as an alternative green energy through the five business models as detailed in the "Business Review and Outlook" section.

Securities investment and trading

The Group utilised the idle fund for securities investment and trading in order to increase the shareholders' net wealth.

Properties investment and development

The Group had expanded its business to the self-built demonstration projects in Beijing and Dalian for promotion of the application of ground source energy as alternative energy for heating/cooling supply. The investment properties and the properties held for sales under development had been applied the Group's HYY Single Well Circulation Heat Exchange Geothermal Energy Collection Technology for the heating/cooling supply.

Further information regarding the Group's operating segments may be referred to note 5 "Segment Information" of this announcement.

FINANCIAL RESOURCES AND LIQUIDITY

Net current assets of the Group as at 31 December 2012 was approximately HK$601 million (31 March 2012: approximately HK$427 million). As at 31 December 2012, the Group had cash and bank balances of approximately HK$156 million (31 March 2012: approximately HK$136 million). Cash on the consolidated statement of financial position include funds available for general corporate purposes. Our principal sources of liquidity have been derived from cash from operations.

CHARGES OF GROUP ASSETS

As at 31 December 2012, no group assets have been charged (31 March 2012: Nil).

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

The Company's reporting currency is in Hong Kong dollars and most of the trading transactions and cost incurred by the Group are principally denominated in Hong Kong dollars and Renminbi.

The Group continued to adopt a conservative treasury policy by keeping all bank deposits in either Hong Kong dollars or Renminbi to minimise exposure to foreign exchange risks.

As at 31 December 2012, the Group had no foreign exchange contracts.

GEARING RATIO

The gearing ratio of the Group, based on total borrowings (including interest-bearing bank loans) to the equity (including all capital and reserves) of the Company, decreased to 0% as at 31 December 2012 (31 March 2012: 0.2%), due to the repayment of bank loan during the nine months ended 31 December 2012.

EMPLOYEES

As at 31 December 2012, the Group employed approximately 490 staff (31 March 2012: approximately 500). The number of employees was remained steady.

The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Company. In addition, discretionary bonuses will be paid to staff based on individual and Company's performance.

SHARE OPTION SCHEME

The Company has a share option scheme that provides for the issuance of options to its directors, officers and employees.

The detailed disclosures relating to the Company's share option scheme are set out in note 44 to the consolidated financial statements of the Company's Annual Report for the nine months ended 31 December 2012.

CONTINGENT LIABILITIES

As at 31 December 2012, the Company did not provide any form of guarantees for any companies and was not liable to any legal proceedings of which provision for contingent liabilities was required.

DIVIDEND

The Board resolved to recommend a final dividend for the nine months ended 31 December 2012 of HK0.4 cents per share (year ended 31 March 2012: nil).

The proposed final dividend of HK0.4 cents per share are subject to approval by the shareholders in the annual general meeting.

CAPITAL STRUCTURE

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 to China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited 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. The excess of the issue price over the par value of the shares, net of share issued expenses were credited to the share premium account of the Company. All the subscription shares rank pari passu with the existing shares.

CAPITAL COMMITMENT AND SUBSTANTIAL INVESTMENTS

Details of capital commitment are set out in note 43 to the consolidated financial statements of the Company's Annual Report for the nine months ended 31 December 2012.

FUTURE PLANS FOR SUBSTANTIAL INVESTMENTS OF CAPITAL ASSETS

Our Company anticipates that it will be necessary to make substantial capital expenditures for the development and operation of its shallow ground energy segment and properties investment and development segment in the future.

On 21 February 2013, a strategic co-operation framework agreement was entered into between the Company and Accord Sunny investments Limited ("Accord Sunny"), an independent third party not connected to the Group, pursuant to which a preliminary cooperation framework in relation to the acquisition of the Land and the investment of the construction on the Land has been agreed. Details of the co-operation frame work agreement are set out in the announcement of the Company dated 21 February 2013.

There can be no assurance that debt and equity financing, or cash generated by operations, will be sufficient to meet future investment programs. The Company may enter into transactions financed partially or wholly with debt, which may increase the debt levels. The Company will continue to explore new opportunities in energy-related projects and look for potential in PRC and overseas.

MAJOR ACQUISITIONS AND DISPOSALS

Details of major acquisition and disposal transactions are set out in notes 40, 41 and 42 respectively to the consolidated financial statements of the Company's Annual Report for nine months ended 31 December 2012.

BUSINESS REVIEW AND OUTLOOK

Shallow geothermal energy is a kind of the low-temperature heat, contained in the underground thermostat layer which is hundreds of meters to the surface of the Earth. With its large reserves, fast renewable, wide distribution, and moderate temperature for the four seasons, it is called a huge "green energy treasure house". Shallow geothermal energy utilisation technology is widely recognised as an efficient and environmentally friendly means of heating. The key to use shallow geothermal energy is the collection technology.

"HYY single well circulation heat exchange collection technology" is an original innovative technology of our headquarters in PRC, Ever Source Science and Technology Development Group Ltd. ("HYY"). By the end of 2012, we have applied the technology across the country for more than 9 million square meters. The 12-year promotion practices of the technology prove its splendid prospect of industrialization, a complete industrial chain in the Group, mature engineering applications, high economic efficiency, and efficient energy saving, with a wide range of promotion foundation. HYY has recently coordinated with Beijing Energy Green Council in preparation of the "engineering and technical specification of single well circulation heat exchange collection wells" for local standards, made standard foundation to achieve industrialization of this original innovative technology in application to the shallow geothermal energy as alternative energy for heating/(cooling).

Five business models of shallow geothermal energy as alternative energy for heating/(cooling):

1. Revenue of patented products and proprietary technology;

2. Sales and installation of HYY geothermal energy heat pump system;

3. Contract management of geothermal energy as (heating)/cooling energy;

4. China Energy-saving Buildings • Geothermal Energy for Heating (Cooling) Demonstration Zone;

5. Investment construction and operation of HYY distributed geothermal energy as source of cooling/heating station

During the reporting period, the management of the Company adhered to the development direction of research and promotion focusing on the shallow geothermal energy as alternative energy for heating (cooling); deepened and perfected the five business models and related profit models; optimised the integrated horizontal management pattern with two poles (capital and operation) and two places (Hong Kong and Beijing); and established the developmental model of "collectivized scale production development and specialized companies operation".

China Energy Conservation and Environmental Protection Group through its wholly-owned subsidiary, subscribed the new shares of the Company during the reporting period, and becomes the single largest shareholder of the Company. Therefore our company becomes the only Hong Kong listed company in the field of scientific research and promotion of geothermal energy as alternative energy for heating (cooling) and backed by a large state-owned professional energy saving and environmental protection groups as its single largest shareholder.

Geothermal energy development and utilisation have gradually received wider social recognition and greater governmental support. "Guidance for the promotion of geothermal energy development and utilisation", put out by National Energy Administration, the Ministry of Finance, and the Ministry of Housing and Urban-Rural Development, explicitly stated "actively promote shallow geothermal energy development and utilisation". Promotion of its application in new buildings or the existing buildings that implement energy-saving transform in the towns, and in public welfare buildings and large public buildings that invested by the government; encouraged to give priority in using heat pump system; encouraged to shift from conventional energy systems to a heat pump system or the composite use of heat pump system.

Shallow geothermal energy as alternative energy for heating (cooling) not only improved energy efficiency and energy conservation, but also reduced smoke emissions in the region and improved the air quality of the cities. Since the huge market demand for heating (cooling) in PRC, and the urgent need to improve the environment, shallow geothermal energy as alternative energy for heating/(cooling) has great potential. It is believed that under the persistent commitment of the management of the Company, the operation results will record further improvement.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("Former CG Code") as set out in Appendix 15 of the GEM Listing Rules and was revised and renamed as Corporate Governance Code and Corporate Governance Report ("New CG Code") with effect from 1 April 2012.

During the period for the nine months ended 31 December 2012, the Company was in compliance with all code provisions set out in the Former CG Code.

During the period from 1 April 2012 to 31 December 2012, the Company has also complied with the code provisions set out in the New CG Code except for the deviations from code provisions A.6.7 and E.1.2, which are explained below.

Code provision A.6.7 of the New CG 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. Ms. Luk Hoi Man, a former non-executive Director, Mr. Chow Wan Hoi Paul, a former independent non-executive Director, and Mr. Jia Wenzeng and Mr. Wu Desheng, both being the independent non-executive Directors, did not attend the Company's extraordinary general meeting held on 22 June 2012 due to their other unexpected business engagement and no travelling permit available.

Code provision E.1.2 of the New CG Code requires that the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mr. Hu Zhaoguang, the chairman of the Remuneration Committee, and Mr. Jia Wenzeng, the chairman of the Audit Committee, did not attend the annual general meeting held on 26 September 2012 due to his engagement in his own official business.

Save as the aforesaid and in the opinion of the Directors, the Company has met all code provisions as set out in the Former CG Code and the New CG Code during the reporting period.

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

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

The Audit Committee currently comprises three independent non-executive directors of the Company, namely Mr. Jia Wenzeng (the chairman of the Audit Committee), Mr. Hu Zhaoguang and Mr. Wu Desheng.

The Audit Committee has reviewed the Group's audited final results for the nine months ended 31 December 2012 and has provided advice and comments 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, the Company reported that during the reporting period, the directors have complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors.

Final Dividend

The Board resolved to recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 13 June 2013 ("2013 AGM") a final dividend of HK0.4 cents per share to be paid on or about 10 July 2013 to those shareholders whose names appear on the register of members of the Company on 21 June 2013.

Closure of Register of Members

For determining the identity of the shareholders to attend and vote at the 2013 AGM, the register of members of the Company will be closed from 11 June 2013 to 13 June 2013 (both days inclusive) during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2013 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 10 June 2013.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed from 19 June 2013 to 21 June 2013 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration no later than 4:30 p.m. on 18 June 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Review Period, 12,480,000 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.

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

Hong Kong, 22 March 2013

As at the date of this announcement, 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.