



# 中國地熱能產業發展集團有限公司

CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8128

## TECHNOLOGY AND RESOURCES LINKS Interim Report 2018



高效電替煤集中供暖機房



農村自採暖地熱熱質系統應用外景



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## HIGHLIGHTS

Revenue for the six months ended 30 June 2018 (the “Review Period”) amounted to approximately HK\$278,522,000.

Net profit after tax of the Group for the Review Period amounted to approximately HK\$3,661,000.

No dividend was declared for the Review Period.

## FINANCIAL REVIEW

The following table provides a brief summary of the financial results of China Geothermal Industry Development Group Limited (the “Company”) and its subsidiaries (collectively the “Group”). For more detailed information, please refer to the unaudited consolidated financial statements for the Review Period and for the six months ended 30 June 2017.

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Revenue</b>				
– Shallow geothermal energy	116,740	137,036	265,423	234,904
– Air conditioning heat pump	67	–	67	–
– Properties investment and development	4,040	3,817	13,032	7,556
	<b>120,847</b>	140,853	<b>278,522</b>	242,460
<b>(Loss)/profit for the period</b>	<b>(517)</b>	(242)	<b>3,661</b>	2,608
<b>Profit attributable to owners of the parent</b>	<b>2,221</b>	1,961	<b>8,771</b>	6,060



During the Review Period, the Group's revenue amounted to approximately HK\$265,423,000 which was contributed by shallow geothermal energy business as compared with that of approximately HK\$234,904,000 for the corresponding period last year. The revenue increased by approximately HK\$30,519,000 as compared with that of corresponding period last year. The revenue of the shallow geothermal energy business increased during the Review Period due to the fact that the Group had put great efforts to promote renewable shallow geothermal energy heating, especially in northern China. The Group secured projects in Hebei, Liaoning, Shanxi, Guizhou and other regions. During the Review Period, the Group commenced the projects located in Shanghai, Beijing and Jiangxi. Therefore, revenue has increased during this year. The Group's gross profit margin increased from 37.6% in last corresponding period to 40.8% in the current period. During the six months ended 30 June 2017, loss on uncertainty in respect of collectability of contract assets amounted to HK\$13,286,000 was included in the cost of sales. This made the gross profit margin lower in the last corresponding period.

Other income and gains decreased from approximately HK\$3,759,000 in the corresponding period last year to approximately HK\$1,475,000 for the six months ended 30 June 2018. The other income and gains decreased in the Review Period, this was mainly attributable to the one-off gain on disposal of subsidiaries during the six months ended 30 June 2017.

Selling and distribution expenses amounted to approximately HK\$14,110,000 and HK\$12,322,000 for the six months ended 30 June 2018 and 2017 respectively. The selling and distribution expenses in the Review Period increased as compared with the corresponding period last year due to the increase in the promotion and marketing activities in Beijing, Tianjin and Hebei by the Group during the Review Period, in order to expand the Group's business scale.

During the Review Period, administrative expenses increased by approximately HK\$9,633,000, or 18.5% as compared with that of six months ended 30 June 2017. Administrative expenses increased mainly due to the increase in staff costs. The Group recruited more manpower to cope with the increased projects.



Finance costs amounted to HK\$25,449,000 for the six months ended 30 June 2018 (including guarantee fee on bank loans amounted to approximately HK\$4,910,000) as compared with approximately HK\$17,057,000 for last corresponding period. The finance costs was mainly represented the interest expense on bank loans.

For the six months ended 30 June 2018, the profit for the period was approximately HK\$3,661,000, whereas it was HK\$2,608,000 for the corresponding period in last year.

### **Order Book**

As at 30 June 2018, the Group has contracts on hand of approximately HK\$443,416,000.

### **Investment Properties**

The Group's investment properties as at 30 June 2018 were valued at HK\$668,618,000. An increase in fair value of investment properties of approximately HK\$1,067,000 (2017: approximately HK\$16,883,000) was recognised directly in profit or loss by the Group during the Review Period.

### **Liquidity, Capital Structure and Gearing Ratio**

Net current assets of the Group as at 30 June 2018 was approximately HK\$193,204,000 (31 December 2017: approximately HK\$288,559,000). The Group obtained a specific loan facility of approximately RMB179,500,000 (equivalent to approximately HK\$212,743,000) from Beijing Bank's coal-to-electricity specific borrowings during the year 2017. The loan bears interest at 6% per annum and is repayable in August 2018 according to the loan agreement. As at 30 June 2018, the Group has repaid RMB171,800,000 (equivalent to approximately HK\$203,617,000).

In 2016, the Group obtained entrusted loans in the principal amount of RMB400,000,000 (equivalent to approximately HK\$474,071,000) from 中節能華禹基金管理有限公司, a related party connected to the Group, through Huishang Bank. The loan bears interest at 7% per annum and is repayable in 2019 according to the entrusted loan agreement.





As at 30 June 2018, the Group had cash and cash equivalents of approximately HK\$79,921,000 (31 December 2017: approximately HK\$122,004,000). Cash and cash equivalents on the condensed consolidated statement of financial position include funds available for general corporate purposes.

Non-controlling interests amounted to approximately HK\$54,419,000 which mainly represents the interests attributable to non-controlling shareholders of the Group's subsidiaries in the PRC.

The gearing ratio of the Group, based on total net debt (including interest-bearing bank borrowings, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the parent) plus net debt of the Group, was 37.6% as at 30 June 2018 (31 December 2017: 37.2%).

### **Charges on asset**

As at 30 June 2018, no Group's asset has been charged. (31 December 2017: Nil)

### **Treasury Policies**

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

### **Contingent Liabilities**

As at 30 June 2018, the Group had no material contingent liabilities (31 December 2017: Nil).

### **Employees**

As at 30 June 2018, the Group has approximately 690 employees in total (31 December 2017: approximately 660). 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 COMPANY NAME**

The Board is pleased to announce that subsequent to the passing of a special resolution in relation to the proposed change of company name by the shareholders at the annual general meeting held on 14 May 2018, the registrar of companies in Cayman Islands has approved the registration of the new name of the Company and issued the certificate of incorporation on change of name on 22 May 2018. Hence, the name of the Company has been changed from “CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED 中國地能產業集團有限公司” to “CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED 中國地熱能產業發展集團有限公司” with effect from 22 May 2018.

## **USE OF PROCEEDS FROM THE RIGHTS ISSUE**

The Group completed the rights issue and obtained net proceeds, after expenses, of approximately HK\$112,000,000. As disclosed in the rights issue prospectus, approximately 40%-50% of the net proceeds will be used on the payment of operational expenses and approximately 50%-60% of the net proceeds will be used on project-based related expenses. Up to 30 June 2018, approximately HK\$24,000,000 was utilized for payment of general operational expenses and approximately HK\$60,000,000 was utilized for project-based related expenses. The remaining balance was kept in the Company's bank account. The Directors intend to utilize such proceeds as stated in the rights issue prospectus.

## **BUSINESS REVIEW AND OUTLOOK**

The Group focuses on scientific research and development of shallow geothermal energy as an alternative energy for northern heating, and promotes the transformation from primary energy combustion heating to the renewable energy heating with no-combustion and zero emission for the region and is of completely physical heating. The Group is committed to the transformation of northern heating energy and vigorously develops emerging industry of integrated heating and cooling with geothermal energy. Its industrial development is similar to that of the automobile industry, which relies on the combustion of primary energy of internal combustion engines to transform into the electric drive with secondary energy. The transformation of energy ushers in the revolution of traditional industries.





In the renewable energy, air energy and shallow geothermal energy can be continuously supplied. In the northern heating area, the temperature of the shallow geothermal energy is relatively stable regardless of the changes of temperature of the climatic environment in different building areas, and can be used as an alternative energy for heating in the north. The heat pump for heating can transport and absorb shallow geothermal energy through mechanical energy converted by electric energy to provide clean and efficient heating for buildings, and can ensure to provide stable heating with more than 60% of its consumption is renewable energy.

Near the energy source to generate electricity, the environmental treatment cost is the lowest, the power transmission is mature and reliable, and electricity for air-conditioning is the national standard-guaranteed power distribution capacity for buildings. In the place of use, the heat pump for northern heating that driven by the electricity is used to transport the shallow geothermal energy, which is free, for provision of heating for buildings. In the cold area, heating in a typical winter consumes about 30 kWh electricity. The system cost is lower than that of coal burning. The service life of heat pump products for heating is longer than that of burning heating equipment and there is no combustion and zero emissions in the heating area. The heating energy industry chain is the most reasonable.

During heating, more than 60% of the building's heating energy consumption is renewable energy. It is a substitute for heating energy. When cooling, the underground environment temperature is lower than the air temperature, the cooling effect is good and the electricity is saved, hence, it is an energy-saving system technology.

To achieve the transformation of northern heating energy, relying on innovation-driven, cross-industry development.





Under the social development trend in which the government vigorously promoted ecological civilization construction, green development, environmental protection and resource conservation and recycling, in the first half of 2018, Ever Source Science & Technology Development Group obtained the national industrial product production license. The production will serve the research and development of the Group's heating heat pump products and will be executed in accordance with the layout of the country's heating characteristics, it has provided further favorable conditions to realize the strategic goal of the Group to implement multi-brand heating heat pump products.

During the review period, the Group completed the construction of a 8,000KW distributed geothermal heating and cooling station, which was a comprehensive energy application project of the Citizen Service Center in Xiong'an New District. As the first large-scale comprehensive project in the high-profile Xiong'an New District, the subsidiary company, Ever Source Science & Technology Development Group Co., Ltd., undertook the construction of all the geothermal energy collection systems and all the machine room equipment and exterior line installation systems in the project. It also highlighted the original single-well circulation heat exchange geothermal energy collection technology that came into being in China which guaranteed the overall progress of the Xiong'an Citizen Service Center Project.

During the period under review, the Group continued to promote coal-to-electricity projects and new business development. At present, it has reached cooperation intentions with Beijing Yanqing Old County Village and Shandong Zhangqiu District. The project will start in the second half of the year and the Company will continue to seize the current great opportunities for the transformation and development of northern heating energy, further develop the market, establish and improve the platform for the development of the new industry with the business unit as the independent accounting unit and the group of professional companies as the technical support.

## FINANCIAL RESULTS

The Board of Directors (the “Board”) of China Geothermal Industry Development Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2018 together with the unaudited comparative figures for the corresponding periods in 2017 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Three months ended 30 June		Six months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Revenue</b>	3	<b>120,847</b>	140,853	<b>278,522</b>	242,460
Cost of sales		<b>(67,066)</b>	(95,377)	<b>(164,942)</b>	(151,398)
Gross profit		<b>53,781</b>	45,476	<b>113,580</b>	91,062
Other income and gains	5	<b>1,246</b>	419	<b>1,475</b>	3,759
Selling and distribution expenses		<b>(7,121)</b>	(6,013)	<b>(14,110)</b>	(12,322)
Administrative expenses		<b>(33,453)</b>	(26,287)	<b>(61,759)</b>	(52,126)
Finance costs	6	<b>(13,050)</b>	(9,126)	<b>(25,449)</b>	(17,057)
Fair value changes on investment properties		<b>1,067</b>	16,883	<b>1,067</b>	16,883
Share of profits and losses of:					
A joint venture		<b>(19)</b>	(434)	<b>274</b>	(860)
Associates		<b>1,648</b>	(513)	<b>(1,322)</b>	(827)
Share-based payments		<b>(843)</b>	(2,527)	<b>(1,685)</b>	(5,054)
<b>Profit before tax</b>	7	<b>3,256</b>	17,878	<b>12,071</b>	23,458
Income tax expense	8	<b>(3,773)</b>	(18,120)	<b>(8,410)</b>	(20,850)
<b>(Loss)/profit for the period</b>		<b>(517)</b>	(242)	<b>3,661</b>	2,608



	Three months ended		Six months ended	
	30 June		30 June	
Notes	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Attributable to:				
Owners of the parent	<b>2,221</b>	1,961	<b>8,771</b>	6,060
Non-controlling interests	<b>(2,738)</b>	(2,203)	<b>(5,110)</b>	(3,452)
	<b>(517)</b>	(242)	<b>3,661</b>	2,608
		(Adjusted)		(Adjusted)
<b>Earnings per share attributable to ordinary equity holders of the parent</b>				
Basic and diluted (expressed in HK cents)	<b>0.055</b>	0.063	<b>0.218</b>	0.195

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Notes	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>(Loss)/profit for the period</b>	<b>(517)</b>	(242)	<b>3,661</b>	2,608
<b>Other comprehensive income/ (loss):</b>				
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:				
Fair value changes on available-for- sale investments	-	(1)	-	-
Exchange differences:				
Exchange differences on translation of foreign operations	<b>(62,187)</b>	20,893	<b>(15,391)</b>	29,348
Share of other comprehensive income of a joint venture	<b>7</b>	13	<b>9</b>	12
Share of other comprehensive income/(loss) of associates	<b>(25)</b>	12	<b>(45)</b>	11
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>(62,205)</b>	20,917	<b>(15,427)</b>	29,371

	Three months ended		Six months ended	
	30 June		30 June	
	Notes	2018	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Net gain on equity instruments at fair value through other comprehensive income	3,333	-	3,335	-
Gain on property revaluation	1,808	5,630	1,808	5,630
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>5,141</b>	<b>5,630</b>	<b>5,143</b>	<b>5,630</b>
<b>Total other comprehensive income/(loss) for the period</b>	<b>(57,064)</b>	<b>26,547</b>	<b>(10,284)</b>	<b>35,001</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>(57,581)</b>	<b>26,305</b>	<b>(6,623)</b>	<b>37,609</b>
Attributable to:				
Owners of the parent	(53,150)	28,019	(1,222)	40,295
Non-controlling interests	(4,431)	(1,714)	(5,401)	(2,686)
	<b>(57,581)</b>	<b>26,305</b>	<b>(6,623)</b>	<b>37,609</b>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
<b>Non-current Assets</b>			
Property, plant and equipment	11	338,852	349,935
Investment properties	11	668,618	601,607
Deposit paid for acquisition of land use rights		104,433	105,802
Goodwill		465,760	465,760
Investment in a joint venture		7,745	7,578
Investments in associates		56,558	40,594
Equity instrument at fair value through other comprehensive income		269,501	-
Available-for-sale investments		-	99,932
Deferred tax assets		30,324	30,324
Long-term prepayments		20,227	176,631
Trade receivables		95,160	96,408
<b>Total non-current assets</b>		<b>2,057,178</b>	1,974,571
<b>Current Assets</b>			
Inventories		46,073	40,950
Properties held for sales under development		99,227	95,507
Trade receivables	12	118,506	103,310
Prepayments, deposits and other receivables		237,149	245,687
Amounts due from customers for contract work		-	514,962
Contract assets		486,254	-
Amount due from a joint venture		365	202
Equity investments at fair value through profit or loss		-	3,072
Financial assets at fair value through profit or loss		3,018	-
Cash and cash equivalents		79,921	122,004
<b>Total current assets</b>		<b>1,070,513</b>	1,125,694



	<i>Notes</i>	<b>30 June 2018 HK\$'000 (Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
<b>Current Liabilities</b>			
Trade and bills payables	13	<b>409,903</b>	381,705
Other payables and accruals		<b>191,642</b>	162,525
Amounts due to customers for contract work		–	12,290
Contract liabilities		<b>21,927</b>	–
Amounts due to associates		<b>46,148</b>	18,644
Amount due to a joint venture		<b>263</b>	–
Amount due to related companies		<b>30,055</b>	11,203
Interest-bearing bank borrowings		<b>17,422</b>	89,693
Tax payable		<b>159,949</b>	161,075
<b>Total current liabilities</b>		<b>877,309</b>	837,135
<b>Net Current Assets</b>		<b>193,204</b>	288,559
<b>Total Assets less Current Liabilities</b>		<b>2,250,382</b>	2,263,130
<b>Non-Current Liabilities</b>			
Other payables and accruals		<b>8,228</b>	9,547
Interest-bearing bank borrowings		<b>474,071</b>	480,286
Deferred income		<b>10,406</b>	10,542
Deferred tax liabilities		<b>75,585</b>	75,725
<b>Total non-current liabilities</b>		<b>568,290</b>	576,100
<b>Net Assets</b>		<b>1,682,092</b>	1,687,030
<b>Equity</b>			
Equity attributable to owners of the parent			
Share capital	14	<b>313,793</b>	313,793
Reserves		<b>1,313,880</b>	1,313,417
		<b>1,627,673</b>	1,627,210
Non-controlling interests		<b>54,419</b>	59,820
<b>Total Equity</b>		<b>1,682,092</b>	1,687,030



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the parent											Non-controlling interests		Total equity	
	Share capital	Share premium	Statutory reserve	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-option reserve	Exchange fluctuation reserve	Retained profits	Total				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note a)	(Note b)	(Note c)	(Note d)	(Note e)										
At 1 January 2017 (audited)	223,990	881,489	2,935	28,086	154,381	2,975	31,811	36,483	(59,420)	93,117	1,395,847	45,455	1,441,302		
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	6,060	6,060	(3,452)	2,608		
Other comprehensive income for the period	-	-	-	5,630	-	-	-	-	28,606	-	34,236	765	35,001		
Total comprehensive income/(loss) for the period	-	-	-	5,630	-	-	-	-	28,606	6,060	40,296	(2,687)	37,609		
Appropriation	-	-	356	-	-	-	-	-	-	(356)	-	-	-		
Share-based payments	-	-	-	-	-	-	-	5,054	-	-	5,054	-	5,054		
At 30 June 2017 (unaudited)	223,990	881,489	3,291	33,716	154,381	2,975	31,811	41,537	(30,814)	98,821	1,441,197	42,768	1,483,965		

	Attributable to owners of the parent												Total equity
	Share capital	Share premium	Statutory reserve	Assets revaluation reserve	Contributed surplus	Special reserve	Capital reserve	Share-option reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note a)	(Note b)	(Note c)	(Note d)	(Note e)								
At 1 January 2018 (audited)	313,793	903,884	2,935	42,998	154,381	2,975	32,812	46,029	23,753	103,650	1,627,210	59,820	1,687,030
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	8,771	8,771	(5,110)	3,661
Other comprehensive income/(loss) for the period	-	-	-	1,808	-	-	3,335	-	(15,136)	-	(9,993)	(291)	(10,284)
Total comprehensive income/(loss) for the period	-	-	-	1,808	-	-	3,335	-	(15,136)	8,771	(1,222)	(5,401)	(6,623)
Share-based payments	-	-	-	-	-	-	-	1,685	-	-	1,685	-	1,685
At 30 June 2018 (unaudited)	313,793	903,884	2,935	44,806	154,381	2,975	36,147	47,714	8,617	112,421	1,627,673	54,419	1,682,092



*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 GEM 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 in prior year.
- (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 and the fair value changes in equity instrument at fair value through other comprehensive income.





## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Net cash flows from operating activities	<b>54,006</b>	124,349
Net cash flows from/(used in) investing activities	<b>1,090</b>	(26,160)
Net cash flows used in financing activities	<b>(96,063)</b>	(17,703)
(Decrease)/Increase in cash and cash equivalents	<b>(40,967)</b>	80,486
Effect of foreign exchange rates changes	<b>(1,116)</b>	3,527
Cash and cash equivalents at the beginning of the period	<b>122,004</b>	73,931
Cash and cash equivalents at the end of the period	<b>79,921</b>	157,944



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2018*

## 1. CORPORATE INFORMATION

China Geothermal Industry Development Group Limited (the “Company”) was incorporated in Cayman Islands as an exempted company with limited liability and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The addresses of the registered office and principal place of business in Hong Kong of the Company are P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and Units 3709-10, 37/F, The Center, 99 Queen’s Road Central, Central, Hong Kong respectively.

The Group was involved in the following principal activities:

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



## **2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

The unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with Hong Kong Accounting Standard 34 ("HKAS 34"), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The unaudited interim financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

### **2.2 New standards, interpretations and amendments adopted by the Group**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.





The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

***HKFRS 15 Revenue from Contracts with Customers***

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group's principal activities consist of sales, installation and maintenance of shallow geothermal energy utilisation system and sales of air conditioning heat pump products. The Group adopted the transitional provision in HKFRS15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018. In addition, the Group applied the requirement of HKFRS15 only to contracts that were not completed before 1 January 2018. Certain comparative information may not be comparable as comparative information was prepared under HKAS18 Revenue and HKAS11 Construction Contracts and the related interpretations. The impacts arising from the adoption of HKFRS 15 on the Group are summarised as follows:



(a) *Sales, installation and maintenance of shallow geothermal energy utilisation system*

The Group engages in the installation and maintenance of shallow geothermal energy utilisation system. Revenue from the construction contracts is recognised on the percentage of completion basis. The Group considers the requirements to recognise revenue over the time under HKFRS 15 is similar to the revenue recognition policy on construction contracts of the Group prior to the adoption of HKFRS15. The group has determined that the adoption of HKFRS 15, revenue from the sales, installation and maintenance of shallow geothermal energy utilisation system had no material impact on the Group's financial statements and the Group recognises the contracting revenue over time by using the cost-based input methods.

(b) *Sales of air conditioning heat pump products*

The Group engages in the sale of air conditioning pump products. Revenue from such products is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. The adoption of HKFRS 15, revenue from the sales of air conditioning heat pump products have no material impact on the Group's financial statements.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	<b>Carrying amounts previously reported at 31 December 2017</b>	<b>Reclassification</b>	<b>Carrying amounts under HKFRS 15 at 1 January 2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>			
Amounts due from customers for			
contract work	514,962	(514,962)	–
Contract assets	<u>–</u>	<u>514,962</u>	<u>514,962</u>
<b>Current liabilities</b>			
Other payables and accruals	162,525	(22,646)	139,879
Amount due to customers for			
contract work	12,290	(12,290)	–
Contract liabilities	<u>–</u>	<u>34,936</u>	<u>34,936</u>

### **HKFRS 9 Financial Instruments**

HKFRS 9 Financial Instruments replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group adopted HKFRS 9 from 1 January 2018 and recognised the transition adjustment against the opening balance of equity at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS39 Financial Instruments: Recognition and Measurement.

The effect of adopting HKFRS 9 is, as follows:

**Classification and measurement**

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale. The investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS9, HK\$99,932,000 were reclassified from available-for-sale investments to equity instruments at fair value through other comprehensive income (“FVTOCI”). Gains and losses recorded in other comprehensive income for the equity instruments cannot be recycled to profit or loss when the instruments are derecognised. In addition, HK\$3,072,000 were reclassified from equity investments at fair value through profit or loss to financial assets at fair value through profit or loss.

	<b>Carrying amounts previously reported at 31 December 2017 HK\$'000</b>	<b>Reclassification HK\$'000</b>	<b>Carrying amounts under HKFRS 9 at 1 January 2018 HK\$'000</b>
<b>Non-current assets</b>			
Available-for-sale investments	99,932	(99,932)	–
Equity instruments at FVTOCI	–	99,932	99,932
<b>Current assets</b>			
Equity investment at fair value through profit or loss	3,072	(3,072)	–
Financial assets at fair value through profit or loss	–	3,072	3,072

Except as described above, the application of amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 January 2018 (Restated) <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	349,935	-	-	349,935
Investment properties	601,607	-	-	601,607
Deposits paid for acquisition of land use rights	105,802	-	-	105,802
Goodwill	465,760	-	-	465,760
Investment in a joint venture	7,578	-	-	7,578
Investments in associates	40,594	-	-	40,594
Available-for-sale investments	99,932	-	(99,932)	-
Equity instruments at FVTOCI	-	-	99,932	99,932
Deferred tax assets	30,324	-	-	30,324
Long-term prepayments	176,631	-	-	176,631
Trade receivables	96,408	-	-	96,408
Total non-current assets	1,974,571	-	-	1,974,571



	31 December 2017 (Audited) <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 January 2018 (Restated) <i>HK\$'000</i>
<b>CURRENT ASSETS</b>				
Inventories	40,950	-	-	40,950
Properties held for sale under development	95,507	-	-	95,507
Trade receivables	103,310	-	-	103,310
Prepayments, deposits and other receivables	245,687	-	-	245,687
Amounts due from customers for contract work	514,962	(514,962)	-	-
Contract assets	-	514,962	-	514,962
Amount due from a joint venture	202	-	-	202
Equity investments at fair value through profit or loss	3,072	-	(3,072)	-
Financial assets at fair value through profit or loss	-	-	3,072	3,072
Cash and cash equivalents	122,004	-	-	122,004
Total current assets	1,125,694	-	-	1,125,694

	<b>31 December 2017</b>			<b>1 January 2018</b>
	<b>(Audited)</b>	<b>HKFRS 15</b>	<b>HKFRS 9</b>	<b>(Restated)</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CURRENT LIABILITIES</b>				
Trade and bills payables	381,705	-	-	381,705
Other payables and accruals	162,525	(22,646)	-	139,879
Amounts due to customers for contract work	12,290	(12,290)	-	-
Contract liabilities	-	34,936	-	34,936
Amounts due to associates	18,644	-	-	18,644
Amount due to a related company	11,203	-	-	11,203
Interest-bearing bank borrowings	89,693	-	-	89,693
Tax payable	161,075	-	-	161,075
Total current liabilities	837,135	-	-	837,135
<b>NET CURRENT ASSETS</b>	288,559	-	-	288,559
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
	2,263,130	-	-	2,263,130
<b>NON-CURRENT LIABILITIES</b>				
Other payables and accruals	9,547	-	-	9,547
Interest-bearing bank borrowings	480,286	-	-	480,286
Deferred income	10,542	-	-	10,542
Deferred tax liabilities	75,725	-	-	75,725
Total non-current liabilities	576,100	-	-	576,100
<b>Net assets</b>	1,687,030	-	-	1,687,030



	31 December 2017 (Audited) <i>HK\$'000</i>	HKFRS 15 <i>HK\$'000</i>	HKFRS 9 <i>HK\$'000</i>	1 January 2018 (Restated) <i>HK\$'000</i>
<b>EQUITY</b>				
Equity attributable to owners of the parent				
Share capital	313,793	-	-	313,793
Reserves	<u>1,313,417</u>	<u>-</u>	<u>-</u>	<u>1,313,417</u>
	1,627,210	-	-	1,627,210
Non-controlling interests	<u>59,820</u>	<u>-</u>	<u>-</u>	<u>59,820</u>
<b>Total equity</b>	<u>1,687,030</u>	<u>-</u>	<u>-</u>	<u>1,687,030</u>

### 3. REVENUE

Set out below is the disaggregation of the Group's revenue.

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Type of goods or service</b>				
Sale, installation and maintenance of shallow geothermal energy utilisation system	116,740	137,036	265,423	234,904
Sale of air conditioning heat pump products	67	–	67	–
Rental income	4,040	3,817	13,032	7,556
<b>Total revenue</b>	<b>120,847</b>	<b>140,853</b>	<b>278,522</b>	<b>242,460</b>
<b>Geographical markets</b>				
The PRC	120,847	140,853	278,522	242,460
<b>Total revenue</b>	<b>120,847</b>	<b>140,853</b>	<b>278,522</b>	<b>242,460</b>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	67		67	
Services transferred over time	116,740		265,423	
<b>Total revenue from contracts with customers</b>	<b>116,807</b>		<b>265,490</b>	
Rental income	4,040		13,032	
<b>Total revenue</b>	<b>120,847</b>		<b>278,522</b>	

There were no inter-segment sales in the current period (2017: Nil).



## **4. OPERATING SEGMENT INFORMATION**

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

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

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

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

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

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



**(a) Segment revenue and results**

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2018 and 2017, respectively:

	Shallow geothermal energy		Air conditioning heat pump		Securities investment and trading		Properties investment and development		Total		
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended		
	30 June		30 June		30 June		30 June		30 June		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
<b>Segment revenue</b>											
Sale to external customers	265,423	234,904	67	-	-	-	13,032	7,556	278,522	242,460	
Intersegment	-	-	-	-	-	-	-	-	-	-	
	265,423	234,904	67	-	-	-	13,032	7,556	278,522	242,460	
<b>Reconciliation:</b>											
Elimination of intersegment sales									-	-	
Revenue									278,522	242,460	
<b>Segment results</b>	50,863	34,650	(3,990)	-	344	(2,129)	13,759	24,439	60,976	56,960	
Share of profits or losses of associates									(1,322)	(827)	
Share of profits or losses of a joint venture									274	(860)	
Unallocated other income									1,036	139	
Unallocated expenses									(23,444)	(14,897)	
Unallocated finance costs									(25,449)	(17,057)	
Profit before tax									12,071	23,458	

**(b) Segment assets and liabilities**

The following table presents assets and liabilities information for the Group's operating segments as at 30 June 2018 and 31 December 2017, respectively:

	30 June 2018				Total HK\$'000
	Shallow geothermal energy HK\$'000	Air conditioning heat pump HK\$'000	Properties investment and development HK\$'000	Securities investment and trading HK\$'000	
<b>Segment assets</b>	1,667,512	42,824	969,924	277,910	2,958,170
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(43,093)
Corporate and other unallocated assets					<u>212,614</u>
Total assets					<u>3,127,691</u>
<b>Segment liabilities</b>	538,639	39,059	32,705	939	611,342
<i>Reconciliation:</i>					
Elimination of intersegment payables					(43,093)
Corporate and other unallocated liabilities					<u>877,350</u>
Total liabilities					<u>1,445,599</u>

	31 December 2017				
	Shallow geothermal energy HK\$'000	Air conditioning heat pump HK\$'000	Properties investment and development HK\$'000	Securities investment and trading HK\$'000	Total HK\$'000
<b>Segment assets</b>	1,819,027	92,852	922,962	106,496	2,941,337
<i>Reconciliation:</i>					
Elimination of intersegment receivables					(43,768)
Corporate and other unallocated assets					<u>202,696</u>
Total assets					<u>3,100,265</u>
<b>Segment liabilities</b>	466,209	84,782	46,889	6,758	604,638
<i>Reconciliation:</i>					
Elimination of intersegment payables					(43,768)
Corporate and other unallocated liabilities					<u>852,365</u>
Total liabilities					<u>1,413,235</u>

## 5. OTHER INCOME AND GAINS

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other income</b>				
Bank interest income	118	29	193	58
Sale of scrap materials	250	19	325	19
Dividend income from financial assets at fair value through profit or loss	13	-	13	-
Government grants ( <i>Note</i> )	63	-	96	-
Others	471	172	517	233
	<u>915</u>	<u>220</u>	<u>1,144</u>	<u>310</u>
<b>Gains</b>				
Fair value change on financial assets at fair value through profit or loss	331	(6)	331	-
Gain on disposal of subsidiaries	-	205	-	3,449
	<u>331</u>	<u>199</u>	<u>331</u>	<u>3,449</u>
	<u>1,246</u>	<u>419</u>	<u>1,475</u>	<u>3,759</u>

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

## 6. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans, overdraft and other loans	10,620	9,126	20,539	17,057
Guarantee fee on bank loans	2,430	–	4,910	–
	<b>13,050</b>	9,126	<b>25,449</b>	17,057

## 7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	46	–	46	–
Cost of services provided	67,020	95,377	164,896	151,398
Depreciation	2,525	2,319	5,115	4,620
Minimum lease payments under operating leases	862	2,203	2,055	4,371
Employee benefit expense (including directors' and chief executive's remuneration)	20,444	21,568	44,008	42,123

## 8. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax	<b>3,591</b>	14,077	<b>8,228</b>	16,807
Deferred tax	<b>182</b>	4,043	<b>182</b>	4,043
Income tax expense recognised in statement of profit or loss	<b>3,773</b>	18,120	<b>8,410</b>	20,850

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the six months ended 30 June 2018 (2017: Nil).

PRC enterprise income tax has been provided at the relevant tax rate of the net assessable profits attributable to the Group's operations in the PRC during the six months ended 30 June 2018 and 2017.

## 9. DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2018, nor has any dividend been proposed since the end of the interim reporting period (2017: Nil).

## 10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,026,925,000 (2017: 3,111,715,000 (adjusted) in issue during that year, as adjusted to reflect the rights issue during that year).

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the Company's shares for the six months ended 30 June 2018 and 2017.

The calculation of the basic and diluted earnings per share based on:

	Three months ended 30 June		Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>Earnings</b>				
Profit for the period attributable to ordinary equity holders of the parent	<u>2,221</u>	1,961	<u>8,771</u>	6,060
	<i>'000</i>	<i>'000</i> (Adjusted)	<i>'000</i>	<i>'000</i> (Adjusted)
<b>Shares</b>				
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<u>4,026,925</u>	<u>3,111,715</u>	<u>4,026,925</u>	<u>3,111,715</u>

## 11. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2018, the Group incurred approximately HK\$4,115,000 (2017: HK\$4,973,000) on acquisition of property, plant and equipment.

The Group's investment properties as at 30 June 2018 were fair valued by Peak Vision Appraisals Limited, an independent professionally qualified valuer not connected to the Group. The resulting increase in fair value of investment properties of approximately HK\$1,067,000 (2017: increase of HK\$16,883,000) has been recognised directly in the profit or loss for the six months ended 30 June 2018.

## 12. TRADE RECEIVABLES

	<b>30 June 2018</b>	31 December 2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Trade receivables	<b>216,988</b>	224,805
Impairment	<b>(73,196)</b>	(74,155)
Trade receivables, net	<b>143,792</b>	150,650
Retention receivables	<b>69,874</b>	49,068
	<b>213,666</b>	199,718
Less: non-current portion	<b>(95,160)</b>	(96,408)
Current portion	<b>118,506</b>	103,310

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

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

	<b>30 June</b> <b>2018</b> <b>HK\$'000</b> <b>(Unaudited)</b>	31 December 2017 HK\$'000 (Audited)
Within 90 days	<b>24,392</b>	77,201
91 to 180 days	<b>35,716</b>	16,739
181 to 365 days	<b>55,616</b>	16,289
Over 365 days	<b>97,942</b>	89,489
	<b>213,666</b>	199,718

### 13. TRADE AND BILLS PAYABLES

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

	<b>30 June</b> <b>2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2017 <i>HK\$'000</i> (Audited)
Within 90 days	<b>72,090</b>	161,420
91 to 180 days	<b>20,903</b>	33,137
181 to 365 days	<b>189,866</b>	27,340
Over 365 days	<b>127,044</b>	159,808
	<b>409,903</b>	381,705

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

## 14. SHARE CAPITAL

Number of shares		Share capital		Share capital	
US\$0.01 each		US\$'000		HK\$'000	
30 June	31 December	30 June	31 December	30 June	31 December
2018	2017	2018	2017	2018	2017
'000	'000	US\$'000	US\$'000	HK\$'000	HK\$'000
(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)

### Ordinary shares

#### Issued and fully paid:

At the beginning of the period/year	<b>4,026,925</b>	2,876,375	<b>40,269</b>	28,763	<b>313,793</b>	223,990
Right issue ( <i>note</i> )	-	1,150,550	-	11,506	-	89,803
At the end of the period/year	<b>4,026,925</b>	<b>4,026,925</b>	<b>40,269</b>	<b>40,269</b>	<b>313,793</b>	<b>313,793</b>

#### Note:

A rights issue of two rights shares for every five existing shares held by members on the register of members was completed on 18 July 2017, at an issue price of HK\$0.10 per rights share, resulting in the issue of 1,150,550,000 shares for a total cash consideration, before expenses, of HK\$115,055,000.

## 15. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its part of the buildings and investment properties 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:

	<b>30 June</b>	31 December
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>10,145</b>	9,534
In the second to fifth years, inclusive	<b>46,894</b>	37,892
After five years	<b>128,389</b>	126,119
	<b>185,428</b>	173,545

### (b) As lessee

The Group leases certain of its office properties and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to twelve years.

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:

	<b>30 June 2018</b>	31 December 2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>4,429</b>	4,367
In the second to fifth years, inclusive	<b>5,462</b>	3,566
	<b>9,891</b>	7,933

## 16. COMMITMENTS

In addition to the operating lease commitments detailed in note 15 (b) above, the Group had the following capital commitments at the end of the reporting period:

	<b>30 June 2018</b>	31 December 2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Contracted, but not provided for:		
– Investment properties under construction	<b>25,546</b>	28,156
– Acquisition of an available-for-sale investment	–	240
– Acquisition of equity instrument at fair value through other comprehensive income	<b>237</b>	–
– Capital contributions payable to an associate	<b>4,741</b>	22,453
	<b>30,524</b>	50,849

## 17. SHARE-BASED PAYMENT TRANSACTIONS

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

	<b>Number of share options</b>
Outstanding at 1 January 2018 and at 30 June 2018	<u>486,182,851</u>

## 18. RELATED PARTY TRANSACTIONS

- (a) Amounts due from/to a related company, a joint venture, and associates are included in the condensed consolidated statement of financial position.
- (b) During the periods ended 30 June 2018 and 2017, the Group entered into the following transactions:

	<b>Three months ended</b>		<b>Six months ended</b>	
	<b>30 June</b>		<b>30 June</b>	
	<b>2018</b>	2017	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)	<b>(Unaudited)</b>	(Unaudited)
<b>Associates:</b>				
Purchase of products	<b>1,995</b>	98	<b>1,995</b>	130
Rental income	<b>45</b>	42	<b>90</b>	84
<b>Other related parties:</b>				
Sales of products	-	-	-	435
Deposit cash	<b>6</b>	6	<b>6</b>	6
Rental expense	<b>12</b>	-	<b>23</b>	-
Guarantee fee	<b>2,430</b>	-	<b>4,910</b>	-

**(c) Compensation of key management personnel**

The compensation of directors and other members of key management during the periods ended 30 June 2018 and 2017 was as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term benefits	<b>4,456</b>	2,459	<b>7,806</b>	5,360
Retirement benefits scheme contributions	<b>14</b>	9	<b>27</b>	18
Share-based payments	<b>136</b>	410	<b>273</b>	819
Total compensation paid to key management personnel	<b>4,606</b>	2,878	<b>8,106</b>	6,197

## 19. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;



- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018 (Unaudited)	31 December 2017 (Audited)		
Listed investment classified as available-for-sale investments	<b>Listed investments in information technology</b> HK\$–	Listed investments in information technology HK\$3,201,000	Level 1	Quoted bid prices in an active market
Listed investment classified as equity instrument at fair value through other comprehensive income	<b>Listed investments in information technology</b> HK\$1,216,000	Listed investments in information technology HK\$–	Level 1	Quoted bid prices in an active market
Fund classified as available-for-sale investments	<b>Fund investments in natural resources</b> HK\$–	Fund investments in natural resources HK\$60,650,000	Level 1	Quoted bid prices in an active market



Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018 (Unaudited)	31 December 2017 (Audited)		
Fund classified as equity instrument at fair value through other comprehensive income	<b>Fund investments in natural resources</b> HK\$63,202,000	Fund investments in natural resources HK\$-	Level 1	Quoted bid prices in an active market
Unquoted equity investments classified as available-for-sale investment	<b>Equity investment in environmental industry and investment management business in the PRC</b> HK\$-	Equity investment in environmental industry and investment management business in the PRC HK\$36,081,000	Level 3	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries
Unquoted equity investments classified as equity instrument at fair value through other comprehensive income	<b>Equity investment in environmental industry, investment management business and insurance industry in the PRC</b> HK\$205,083,000	Equity investment in environmental industry, investment management business and insurance industry in the PRC HK\$-	Level 3	Long-term revenue growth rates, taking into account management's experience and knowledge of market conditions of the specific industries



Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2018 (Unaudited)	31 December 2017 (Audited)		
Held-for-trading non-derivative financial assets classified as equity investments at fair value through profit or loss	<b>Listed securities in the Stock Exchange: infrastructure HK\$-</b>	Listed securities in the Stock Exchange: infrastructure HK\$3,072,000	Level 1	Quoted bid prices in an active market
Held-for-trading non-derivative financial assets classified as financial assets at fair value through profit or loss	<b>Listed securities in the Stock Exchange: infrastructure HK\$3,018,000</b>	Listed securities in the Stock Exchange: infrastructure HK\$-	Level 1	Quoted bid prices in an active market



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

As at 30 June 2018, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

### (a) Long Positions and Short Positions in Shares and Equity Derivatives

Name of director	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity		Approximate percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Approximate percentage of the aggregate interests
		Interests in shares					
Mr. Xu Shengheng (Note 1)	Beneficial owner	711,646,600 (L)		17.67%	37,725,148 (L)	750,354,548 (L)	18.63%
	Interest of spouse	982,800 (L)		0.02%	-		
Ms. Chan Wai Kay Katherine (Note 2)	Beneficial owner	58,290,400 (L)		1.45%	43,788,119 (L)	116,182,119 (L)	2.89%
	Interest of spouse	14,103,600 (L)		0.35%	-		
Mr. Wang Manquan (Note 3)	Beneficial owner	716,800 (L)		0.02%	30,314,851 (L)	31,031,651 (L)	0.77%
Mr. Jia Wenzeng (Note 4)	Beneficial owner	-		-	4,827,920 (L)	4,827,920 (L)	0.12%
Mr. Wu Dehsheng (Note 5)	Beneficial owner	-		-	3,143,762 (L)	3,143,762 (L)	0.08%

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



*Notes:*

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



## (b) Long Positions under Equity Derivatives

### The Share Option Plan

On 28 July 2010, the Company, by a shareholders' resolution, conditionally adopted a new share option scheme (the "Share Option Plan") for a period of ten years from the date on which the Share Option Plan became unconditional. On 7 August 2010, the Share Option Plan became unconditional and effective. Pursuant to the Share Option Plan, the board of directors was authorised, at its absolute discretion, to grant options to eligible participants, including directors of the Company or any of its subsidiaries, as defined in accordance with the terms of the Share Option Plan, to subscribe for shares in the Company under the terms of the Share Option Plan. As at 30 June 2018, 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 June 2018
Mr. Xu Shengheng	9 September 2010	9 September 2010 to 8 September 2020	0.379	13,024,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Ms. Chan Wai Kay Katherine	9 September 2010	9 September 2010 to 8 September 2020	0.379	19,087,129
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Mr. Wang Manquan	9 September 2010	9 September 2011 to 8 September 2020	0.379	1,871,288
		9 September 2012 to 8 September 2020	0.379	1,871,288
		9 September 2013 to 8 September 2020	0.379	1,871,285
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990



Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 30 June 2018
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.379	1,684,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762
Mr. Wu Desheng	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762

Save as disclosed above, as at 30 June 2018, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

## INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30 June 2018, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:



## Long Positions and Short Positions in Shares and Equity Derivatives

Name	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and capacity		Percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Percentage of aggregate interests
		Interest in shares					
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited (Note 1)	Beneficial owner	1,190,000,000 (L)		29.55%	-	1,190,000,000 (L)	29.55%
China Energy Conservation and Environmental Protection Group (Note 1)	Interest of controlled corporation	1,190,000,000 (L)		29.55%	-	1,190,000,000 (L)	29.55%
Ms. Luk Hoi Man (Note 2)	Beneficial owner	982,800 (L)		0.02%	-		
	Interest of spouse	711,646,600 (L)		17.67%	37,725,148 (L)	750,354,548 (L)	18.63%

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



*Notes:*

1. China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited is a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group (“CECEP”), therefore, under the SFO, CECEP is deemed to be interested in 1,190,000,000 Shares.
2. Ms. Luk Hoi Man (“Ms. Luk”), the spouse of Mr. Xu Shengheng (“Mr. Xu”), holds 982,800 Shares. Mr. Xu is interested in 711,646,600 Shares and 37,725,148 Shares issuable pursuant to exercise of share options of the Company. Therefore, under SFO, Ms. Luk is deemed to be interested in 711,646,600 Shares and 37,725,148 underlying shares issuable upon the exercise of the share options of the Company in which Mr. Xu is interested.

Save as disclosed above, as at 30 June 2018, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.



## OUTSTANDING SHARE OPTIONS

As at 30 June 2018, options to subscribe for an aggregate of 486,182,851 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 30 June 2018 were as follows:

Name	Date of grant of share options	As at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 June 2018	Vesting period of share options	Exercise period of share options	Exercise price per share HK\$
<b>Directors</b>									
Mr. Xu Shengheng	9 September 2010	13,024,158	-	-	-	13,024,158	-	9 September 2010 to 8 September 2020	0.379
	8 December 2016	24,700,990	-	-	-	24,700,990	-	8 December 2016 to 31 December 2020	0.267
Ms. Chan Wai Kay Katherine	9 September 2010	19,087,129	-	-	-	19,087,129	-	9 September 2010 to 8 September 2020	0.379
	8 December 2016	24,700,990	-	-	-	24,700,990	-	8 December 2016 to 31 December 2020	0.267
Mr. Wang Manquan	9 September 2010	1,871,288	-	-	-	1,871,288	9 September 2010 to 8 September 2011	9 September 2011 to 8 September 2020	0.379
	9 September 2010	1,871,288	-	-	-	1,871,288	9 September 2010 to 8 September 2012	9 September 2012 to 8 September 2020	0.379
	9 September 2010	1,871,285	-	-	-	1,871,285	9 September 2010 to 8 September 2013	9 September 2013 to 8 September 2020	0.379
	8 December 2016	24,700,990	-	-	-	24,700,990	-	8 December 2016 to 31 December 2020	0.267
Mr. Jia Wenzeng	9 September 2010	1,684,158	-	-	-	1,684,158	-	9 September 2010 to 8 September 2020	0.379
	8 December 2016	3,143,762	-	-	-	3,143,762	-	8 December 2016 to 31 December 2020	0.267
Mr. Wu Desheng	8 December 2016	3,143,762	-	-	-	3,143,762	-	8 December 2016 to 31 December 2020	0.267
<b>Employees</b>									
	9 September 2010	22,778,804	-	-	-	22,778,804	-	9 September 2010 to 8 September 2020	0.379
	9 September 2010	33,683,168	-	-	-	33,683,168	9 September 2010 to 8 September 2011	9 September 2011 to 8 September 2020	0.379
	9 September 2010	33,683,168	-	-	-	33,683,168	9 September 2010 to 8 September 2012	9 September 2012 to 8 September 2020	0.379
	9 September 2010	33,683,170	-	-	-	33,683,170	9 September 2010 to 8 September 2013	9 September 2013 to 8 September 2020	0.379
	8 December 2016	121,277,370	-	-	-	121,277,370	8 December 2016 to 7 December 2017	8 December 2017 to 31 December 2020	0.267
	8 December 2016	121,277,371	-	-	-	121,277,371	8 December 2016 to 7 December 2018	8 December 2018 to 31 December 2020	0.267
		<u>486,182,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,182,851</u>			



## **COMPETITION AND CONFLICT OF INTERESTS**

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

## **CORPORATE GOVERNANCE CODE**

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

Under code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the views of shareholders.

Mr. Jia Wenzeng, an independent non-executive Director and the chairman of the Audit Committee, did not attend the annual general meeting held on 14 May 2018 due to his engagement in other business.

## **AUDIT COMMITTEE**

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

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





## **SECURITIES TRANSACTIONS BY DIRECTORS**

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

## **UPDATE ON DIRECTORS' INFORMATION**

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors for the Review Period is set out below:–

Mr. Xu Shengheng, an Executive Director, (i) was appointed a Standing Committee member of the 13th National Committee of the Beijing City of Chinese People's Political Consultative Conference in January 2018; (ii) resigned as director of 北京恒有源地能熱源系統有限公司, a subsidiary of the Company, on 9 February 2018; (iii) his annual remuneration was changed to HK\$3.8 million from 14 May 2018.

The annual remuneration of Mr. Wang Manquan, an Executive Director, was changed to HK\$1.62 million from 14 May 2018.

Mr. Zang Yiran, an Executive Director, was appointed as director of 北京海興園供熱服務有限公司, a subsidiary of the Company, on 10 April 2018.

The annual remuneration of Mr. Daiqi, an Executive Director, was changed to HK\$840,000 from 14 May 2018.



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

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

As at the date of this report, the Board comprises Mr. An Yi, Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Dai Qi as executive Directors, Mr. Zhao Youmin as non-executive Director, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang and Mr. Guo Qingui as independent non-executive Directors.

By Order of the Board of  
**China Geothermal Industry Development Group Limited**  
**Xu Shengheng**  
*Joint Chairman & Executive Director*

Hong Kong, 10 August 2018