



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**
First Quarterly Report 2019



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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

HIGHLIGHTS

Revenue for the three months ended 31 March 2019 (the “Review Period”) amounted to approximately HK\$68,889,000.

Net loss after tax of the Group for the Review Period amounted to approximately HK\$19,549,000.


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 three months ended 31 March 2018.

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue		
– Shallow geothermal energy utilisation system	64,806	148,683
– Air conditioning heat pump	211	–
– Properties investment and development	3,872	8,992
	68,889	157,675
(Loss)/Profit for the period	(19,549)	4,178
(Loss)/Profit attributable to owners of the parent	(19,493)	6,550





During the Review Period, the Group's revenue amounted to approximately HK\$68,889,000 which was mainly contributed by shallow geothermal energy utilisation business as compared with that of approximately HK\$157,675,000 for the corresponding period last year. The revenue decreased by approximately HK\$88,786,000 as compared with that of corresponding period last year. The decrease in revenue of the shallow geothermal energy utilisation system was mainly attributable to: (i) the influence of the market, many of the contracts originally under negotiation were not realized; and (ii) the influence of the slowdown in construction sector causing decrease on the number of construction projects. Some of the Group's contracted projects were postponed due to the delay of construction progress of the subject properties. The Group's gross profit margin decreased from 37.9% in last corresponding period to 14.2% in the current period. The decrease in gross profit margin of the Group was mainly due to the fact that since this quarter, the Group has invested in a number of demonstration projects in Zhangjiakou area, Handan area, Tianjin Baodi and the Changzi County of Shanxi Province for the development of new markets. The Group's gross profit margin decreased during the period.

Other income and gains increased from approximately HK\$229,000 in the corresponding period last year to approximately HK\$11,270,000 for the three months ended 31 March 2019. This was mainly attributable to the adjustment regarding the waiver of the account payables and the increase in the interest income.

Selling and distribution expenses amounted to approximately HK\$6,638,000 and HK\$6,989,000 for the three months ended 31 March 2019 and 2018 respectively. The selling and distribution expenses in the Review Period decreased as compared with the corresponding period last year due to the effective cost control of the Group.

During the Review Period, administrative expenses decreased by approximately HK\$3,328,000 or 11.8% as compared with that of three months ended 31 March 2018. Administrative expenses decreased mainly due to the effective cost control by the Group, included the decrease in employee salary and benefit expenses by HK\$6,979,000.

Finance costs amounted to approximately HK\$11,588,000 was recorded for the three months ended 31 March 2019 (including guarantee fee on bank loans amounted to approximately HK\$2,339,000) as compared with approximately HK\$12,399,000 for last corresponding period. The finance costs was mainly represented the interest expense on the loan.

For the three months ended 31 March 2019, the loss for the period was approximately HK\$19,549,000, whereas profit was approximately HK\$4,178,000 for the corresponding period in last year.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the overall economic pressure has greater impact on the Group's business performance. From the end of the previous year to the beginning of this quarter, the management of the Group has thoroughly analyzed the overall condition of the industry and made adjustment to the internal structure, management and operation mode of the Company according to the market situation. It also set the development goals for the Company for 2019 and made detailed work plan in order to deploy the Company's resources in the most effective way for the promotion and development of non-combustion integrated heating and cooling with shallow geothermal energy emerging industry. In 2019, the Company has designated it as the management transformation year, which will focus on budget, assessment and disclosure. Firstly, the improvement of social recognition about the renewable shallow geothermal energy is an alternative energy for heating and is also an energy-saving technology for cooling; Secondly, it is an assurance for design and reasonable quality construction and a guarantee for the operation of the integrated heating and cooling. Thirdly, it is to strengthen the formulation and implementation of enterprise standards and to enhance the implementation capability. Fourthly, it is to improve the assessment and incentive policies as well as its transparency so as to ensure fairness.





During the period under review, the Group actively integrated different resources of the Company to prepare for the bidding and negotiation of various projects this year. At the same time, we put more resources into the design and planning of the projects, so that the functionality and advantages of the Company's diversified products can be demonstrated and realized in the different projects.

It is expected that the China's overall economy trend in 2019 will still have relatively great pressure and impact on our business, we have formulated various measures in our planning to actively cope with these business challenges. We are also committed to implementing various key strategic objectives for the promotion and development of non-combustion integrated heating and cooling with shallow geothermal energy emerging industry. We will continue to strengthen the cost control, budget assessment, service quality improvement, brand building, market expansion, etc., and continue to strive for the Company's development in 2019 so as to achieve good performance as a return to our shareholders for their continued support to us.

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 referred to as the “Group”) for the three months ended 31 March 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the three months ended 31 March 2019

	Notes	Three months ended 31 March	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	3	68,889	157,675
Cost of sales		(59,088)	(97,876)
Gross profit		9,801	59,799
Other income and gains	4	11,270	229
Selling and distribution expenses		(6,638)	(6,989)
Administrative expenses		(24,978)	(28,306)
Finance costs	5	(11,588)	(12,399)
Reversal of impairment losses on trade and bills receivables		4,521	–
Share of profits and losses of:			
A joint venture		(300)	293
Associates		(861)	(2,970)
Share-based payment expenses		–	(842)
(Loss)/Profit before tax	6	(18,773)	8,815
Income tax expense	7	(776)	(4,637)
(Loss)/Profit for the period		(19,549)	4,178
Attributable to:			
Owners of the parent		(19,493)	6,550
Non-controlling interests		(56)	(2,372)
		(19,549)	4,178





	Three months ended	
	31 March	
<i>Notes</i>	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period	(19,549)	4,178
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	16,317	46,796
Share of other comprehensive income of a joint venture	1	2
Share of other comprehensive income/(loss) of associates	3	(20)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	16,321	46,778
Other comprehensive income that will not to be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	3	2
Net other comprehensive income that will not to be reclassified to profit or loss in subsequent periods	3	2
Other comprehensive income for the period, net of tax	16,324	46,780
Total comprehensive (loss)/income for the period	(3,225)	50,958
Attributable to:		
Owners of the parent	(4,157)	51,928
Non-controlling interests	932	(970)
	(3,225)	50,958
(Loss)/Earnings per share attributable to ordinary equity holders of the parent	(0.484)	0.163
Basic and diluted (expressed in HK cents)	(0.484)	0.163

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2019

1. GENERAL

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

During the period, 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 their potential rental income
- Trading of securities and other types of investments





2. BASIS OF PREPARATION

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

The accounting policies adopted in the preparation of the financial statements are consistent with those adopted in preparing the audited financial statements for the year ended 31 December 2018.

The Group has adopted new and amended standards and interpretations of HKFRSs which are mandatory for the accounting periods beginning on or after 1 January 2019 and relevant to its operations. The adoption of such new and amended standards and interpretations does not have material impact on the condensed consolidated first quarterly financial information and does not result in substantial changes to the Group’s accounting policies.

The Group has not applied the new HKFRSs that have been issued but are not yet effective but is in the process of assessing their impact on the results of operation and financial position of the Group.

The condensed consolidated accounts have not been audited by the Company’s auditor, but have been reviewed by the Company’s audit committee.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the period ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e. existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.



3. REVENUE

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

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Type of goods or service		
Sale, installation and maintenance of shallow geothermal energy utilisation system	64,806	148,683
Sale of air conditioning heat pump products	211	–
Rental income	3,872	8,992
Total revenue	68,889	157,675
Geographical markets		
The PRC	68,889	157,675
Total revenue	68,889	157,675
Timing of revenue recognition		
Goods transferred at a point in time	211	–
Services transferred over time	64,806	148,683
Total revenue from contracts with customers	65,017	148,683
Rental income	3,872	8,992
Total revenue	68,889	157,675

4. OTHER INCOME AND GAINS

Other income and gains is as follows:

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	509	75
Sale of scrap materials	119	75
Government grants	12	33
Others	10,630	46
	11,270	229

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans, overdraft and other loans	9,249	9,919
Guarantee fee on bank loans	2,339	2,480
	11,588	12,399



6. (LOSS)/PROFIT BEFORE TAX

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

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of sales	59,088	97,876
Depreciation	3,345	2,590
Minimum lease payments under operating leases	931	1,192
Employee benefit expense (including directors' and chief executive's remuneration)	16,585	23,564

7. INCOME TAX EXPENSE

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC enterprise income tax	776	4,637

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 March 2019 (2018: 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 three months ended 31 March 2019.

8. DIVIDENDS

No dividends were paid, declared or proposed during the reporting period. The directors do not recommend payment of any dividend for the three months ended 31 March 2019 (2018: nil).

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

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

	Three months ended	
	31 March	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/Earnings		
(Loss)/Profit for the period attributable to ordinary equity holders of the parent	<u>(19,493)</u>	<u>6,550</u>
	<i>'000</i>	<i>'000</i>
Shares		
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>4,026,925</u>

Note: The calculation of diluted (loss)/earnings per share for the three months ended 31 March 2019 and 2018 does not assume the exercise of share options because the exercise price of the Company's outstanding share options was higher than the average market price of shares for the three months ended 31 March 2019 and 2018.



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

For the three months ended 31 March 2019

	Attributable to owners of the parent											Non-controlling interests HK\$'000	Total equity HK\$'000
	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 option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2018 (audited)	313,793	903,884	2,935	42,998	154,381	2,975	32,812	46,029	23,753	103,650	1,627,210	59,820	1,687,030
Profit/(loss) for the period	-	-	-	-	-	-	-	-	-	6,550	6,550	(2,372)	4,178
Other comprehensive income/(loss) for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	2	-	-	-	2	-	2
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	45,394	-	45,394	1,402	46,796
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	2	-	2	-	2
Share of other comprehensive loss of associates	-	-	-	-	-	-	-	-	(20)	-	(20)	-	(20)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	2	-	45,376	6,550	51,928	(970)	50,958
Equity – settled share option arrangements	-	-	-	-	-	-	-	842	-	-	842	-	842
At 31 March 2018 (unaudited)	313,793	903,884	2,935	42,998	154,381	2,975	32,814	46,871	69,129	110,200	1,679,960	58,850	1,738,830

	Attributable to owners of the parent											Non-controlling interests HK\$'000	Total equity HK\$'000
	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 option reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2019 (audited)	313,793	904,470	2,935	48,358	154,381	2,975	13,449	49,117	(25,570)	(412,514)	1,051,394	33,468	1,084,862
Loss for the period	-	-	-	-	-	-	-	-	-	(19,493)	(19,493)	(56)	(19,549)
Other comprehensive income for the period:													
Changes in fair value of equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	3	-	-	-	3	-	3
Exchange differences related to foreign operations	-	-	-	-	-	-	-	-	15,329	-	15,329	988	16,317
Share of other comprehensive income of a joint venture	-	-	-	-	-	-	-	-	1	-	1	-	1
Share of other comprehensive income of associates	-	-	-	-	-	-	-	-	3	-	3	-	3
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	3	-	15,333	(19,493)	(4,157)	932	(3,225)
At 31 March 2019 (unaudited)	313,793	904,470	2,935	48,358	154,381	2,975	13,452	49,117	(10,237)	(432,007)	1,047,237	34,400	1,081,637

Notes:

(a) Share Premium

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) Statutory reserve

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

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

(d) Special reserve

Special reserve represents the reserve arising from acquisition of additional interests.

(e) Capital reserve

Capital reserve represents the deemed contribution from a substantial shareholder arising from the waiver of the convertible notes in prior years.



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

As at 31 March 2019, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

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

Name of director	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity		Approximate percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Approximate percentage of the aggregate interests
		Interests in shares					
Mr. Xu Shengheng (Note 1)	Beneficial owner	711,646,600 (L)		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 (the “Shares”) of the Company and 37,725,148 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section. Ms. Luk Hoi Man (“Ms. Luk”), the spouse of Mr. Xu, holds 982,800 Shares. Therefore, under the SFO, Mr. Xu is deemed to be interested in 982,800 Shares in which Ms. Luk is interested.
2. Ms. Chan Wai Kay Katherine (“Ms. Chan”) is interested in 58,290,400 shares and 43,788,119 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section. Mr. Chow Ming Joe Raymond (“Mr. Chow”), spouse of Ms. Chan, holds 14,103,600 Shares. Under the SFO, Ms. Chan is deemed to be interested in 14,103,600 Shares in which Mr. Chow is interested.
3. Mr. Wang Manquan is interested 716,800 Shares and 30,314,851 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section.
4. 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 31 March 2019, the following directors and chief executive of the Company were interested in the following options under the Share Option Plan:

Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 31 March 2019
Mr. Xu Shengheng	9 September 2010	9 September 2010 to 8 September 2020	0.379	13,024,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Ms. Chan Wai Kay Katherine	9 September 2010	9 September 2010 to 8 September 2020	0.379	19,087,129
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990

Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 31 March 2019
Mr. Wang Manquan	9 September 2010	9 September 2011 to 8 September 2020	0.379	1,871,288
		9 September 2012 to 8 September 2020	0.379	1,871,288
		9 September 2013 to 8 September 2020	0.379	1,871,285
	8 December 2016	8 December 2016 to 31 December 2020	0.267	24,700,990
Mr. Jia Wenzeng	9 September 2010	9 September 2010 to 8 September 2020	0.379	1,684,158
	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762
Mr. Wu Desheng	8 December 2016	8 December 2016 to 31 December 2020	0.267	3,143,762

Save as disclosed above, as at 31 March 2019, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.



INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 March 2019, persons (other than directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required pursuant to Section 336 of the SFO, to be entered into the register referred to therein, were as follows:

Long Positions and Short Positions in Shares and Equity Derivatives

Name	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and capacity		Percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Percentage of aggregate interests
		Interest in shares					
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited (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 31 March 2019, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.



OUTSTANDING SHARE OPTIONS

As at 31 March 2019, options to subscribe for an aggregate of 486,182,851 shares were outstanding (including the directors and chief executive of the Company as disclosed above). Details of which as at 31 March 2019 were as follows:

Name	Date of grant of share options	As at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 March 2019	Vesting period of share options	Exercise period of share options	Exercise price per share HK\$
Directors									
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
Employees									
	9 September 2010	22,778,804	-	-	-	22,778,804	-	9 September 2010 to 8 September 2020	0.379
	9 September 2010	33,683,168	-	-	-	33,683,168	9 September 2010 to 8 September 2011	9 September 2011 to 8 September 2020	0.379
	9 September 2010	33,683,168	-	-	-	33,683,168	9 September 2010 to 8 September 2012	9 September 2012 to 8 September 2020	0.379
	9 September 2010	33,683,170	-	-	-	33,683,170	9 September 2010 to 8 September 2013	9 September 2013 to 8 September 2020	0.379
	8 December 2016	121,277,370	-	-	-	121,277,370	8 December 2016 to 7 December 2017	8 December 2017 to 31 December 2020	0.267
	8 December 2016	121,277,371	-	-	-	121,277,371	8 December 2016 to 7 December 2018	8 December 2018 to 31 December 2020	0.267
		<u>486,182,851</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>486,182,851</u>			

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

As at the date of this report, the Board comprises, Mr. Xu Shengheng, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Mr. Zang Yiran and Mr. Dai Qi as executive Directors, Mr. Yang Wei 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, 9 May 2019

