



中國地熱能產業發展集團有限公司
CHINA GEOTHERMAL INDUSTRY DEVELOPMENT GROUP LIMITED

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

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

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

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

HIGHLIGHTS

Revenue for the six months ended 30 June 2021 (the “Review Period”) amounted to approximately HK\$88,446,000.

Net loss after tax of the Group for the Review Period amounted to approximately HK\$28,711,000.

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 2020.

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
– Shallow geothermal energy	57,925	50,504	82,538	91,776
– Air conditioning/shallow geothermal heat pump	242	18,426	1,324	18,426
– Property investment and development	4,584	3,760	4,584	7,428
	<u>62,751</u>	<u>72,690</u>	<u>88,446</u>	<u>117,630</u>
Profit/(loss) for the period	<u>(5,352)</u>	<u>33,657</u>	<u>(28,711)</u>	<u>14,860</u>
Profit/(loss) attributable to owners of the parent	<u>(4,690)</u>	<u>27,325</u>	<u>(26,963)</u>	<u>9,173</u>

During the Review Period, the Group's revenue amounted to approximately HK\$88,446,000 which was mainly contributed by shallow geothermal energy utilisation business and approximately HK\$117,630,000 for the corresponding period last year. The revenue decreased by approximately HK\$29,184,000 as compared with that of corresponding period last year which was mainly attributable to the new contracts of engineering projects secured in the first half year was relatively fewer and the projects in progress that bought forward from previous periods decreased. On the other hand, the substantial decrease in coal-to-electricity projects in Hebei region during the Period led to the demand on HYY Heating Devices by the key customers of Hongyuan Ground Energy Heating Device Technology Co., Ltd* (宏源地能熱寶技術有限公司), the Group's subsidiary, was significantly decreased as compared with the same period last year.

Other income and gains decreased from approximately HK\$24,898,000 in the corresponding period last year to approximately HK\$2,345,000 for the six months ended 30 June 2021. This was mainly attributable to the waiver of the account payables recorded in the corresponding period last year.

Selling and distribution expenses amounted to approximately HK\$10,471,000 and HK\$8,400,000 for the six months ended 30 June 2021 and 2020 respectively. The selling and distribution expenses for the Review Period increased as compared with the corresponding period last year was mainly due to the strengthening of the other markets expansion by the Group during the period under review as compared with the same period last year which was affected by epidemic control.

During the Review Period, administrative expenses increased by approximately HK\$5,963,000 or 15.07% as compared with that of six months ended 30 June 2020. Administrative expenses increased which was mainly attributable to the increase of management activities.

Finance costs amounted to approximately HK\$1,867,000 for the six months ended 30 June 2021 as compared with approximately HK\$10,337,000 for last corresponding period. The finance costs mainly represented the borrowing costs on the loan. The decrease was mainly attributable to the repayment of loan.

For the six months ended 30 June 2021, the loss for the period was approximately HK\$28,711,000, whereas the profit was approximately HK\$14,860,000 for the corresponding period last year. It was mainly attributable to the decrease in revenue resulted to the decrease in gross profit. On the other hand, the waiver of payables, the increase of changes in the fair value of investment properties and the reversal of provision on contract assets and the trade receivables recorded in the corresponding period last year did not exist in the current period this year.

Order Book

As at 30 June 2021, the Group has contracts on hand of approximately HK\$83,700,000.

Liquidity, Capital Structure and Gearing Ratio

Net current liabilities of the Group as at 30 June 2021 was approximately HK\$34,577,000 (net current liabilities as at 31 December 2020: approximately HK\$22,599,000). As at 30 June 2021, the bank borrowing amounted to approximately HK\$20,625,000, bearing interest rate at 5.5% per annum which is repayable within one year. The loan will be due in November 2021 according to the loan agreement.

As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$63,886,000 (31 December 2020: approximately HK\$63,172,000). 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\$27,322,000 which mainly represents the interests attributable to non-controlling shareholders of the Group's subsidiaries in the PRC.

The gearing ratio of the Group, based on total net debt (including interest-bearing bank borrowings, lease liabilities, trade and bills payables, financial liabilities included in other payables and accruals, less cash and cash equivalents) to the equity (representing equity attributable to owners of the parent) plus net debt of the Group, was 54.8% as at 30 June 2021 (31 December 2020: 57.5%).

Charges on Asset

As at 30 June 2021, certain properties with a carrying amount of approximately HK\$9,720,000 were pledged to secure a bank loan.

In addition, the following assets were previously pledged to China Energy Conservation and Environmental Protection Group* (中國節能環保集團有限公司) ("CECEP"), a major shareholder of the Company, in return for CECEP to provide guarantee in favour of the bank for securing the bank loan for the Group. As the Group has fully repaid the bank loan that secured by CECEP in April 2021, the Group has liaised with CECEP to release all the following pledged assets.

- 1) The release of pledge of equity interests in Heng Run Feng Reality (Dalian) Company Ltd., an indirect wholly owned subsidiary of the Group, has been completed as of the reporting date.
- 2) It is in the process of releasing the pledge of China Asset Management – Ever Source Overseas Oriented Asset Management Plan* (華夏基金－恆有源海外定向資產管理計劃) with a carrying value of approximately HK\$59,849,000.

Material Acquisition and Disposal

During the period under review, the Group has completed the disposal of 100% equity interest in HYY Science and Technology Development Group Xinyi Co., Ltd.* (恒有源科技發展集團新沂有限公司) at the consideration of RMB25,830,800. For details of this disposal, please refer to the announcement of the Company dated 26 March 2021.

Save as disclosed above, the Group did not have any material acquisition and disposal during the six months ended 30 June 2021.

Significant Investment Held

On 13 November 2020, HYY Investment Management Co., Ltd. (恒有源投資管理有限公司) (“**HYY Investment**”), an indirect wholly owned subsidiary of the Company, entered into equity transfer agreement to sell the 4.99965% equity interests in Beijing Life Insurance Co. Ltd. (“**Beijing Life**”) for a consideration of RMB237,000,000.

At the extraordinary general meeting held on 19 February 2021, the Shareholders of the Company passed the ordinary resolution in respect of the equity transfer agreement. Details of the disposal can be referred to the Company’s circular dated 26 January 2021. HYY Investment has received the total consideration of RMB237,000,000 in July 2021 and the change of shareholders of Beijing Life and the industrial and commercial filing procedures for the articles of association of Beijing Life is under processing.

As at 30 June 2021, the Group still held the investment of 4.99965% of equity interests in Beijing Life pending for the completion of the change of the registration for share transfer. The size of investment as compared to the Group’s total assets as at 30 June 2021 is 14.72%.

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 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

Employees

As at 30 June 2021, the Group has approximately 411 employees in total (31 December 2020: approximately 480). The remuneration package of the employees is determined with reference to their performance, experience and their positions, duties and responsibilities in the Group.

BUSINESS REVIEW AND OUTLOOK

During the period under review, the Group's revenue amounted to approximately HK\$88,446,000, of which revenue of alternative energy engineering accounted for approximately 71.58%, revenue from heating and cooling operation accounted for approximately 21.29%, revenue from leasing of investment property accounted for 5.18% and sales of equipment accounted for 1.1%.

During the period under review, the Group's revenue fell by 25% as compared with that of the same period last year which was mainly attributable to the significant decline in the revenue of alternative energy projects and sales of heat pump products as compared with that of the same period last year. The decline in revenue from alternative energy projects was mainly due to the fact that the coal-to-electricity projects in the surrounding areas have not yet started in the first half of the year. In particular, the coal-to-electricity projects in Hebei Province are expected to be severely reduced as compared to the same period last year. In addition, the number of new projects also decreased as compared with that of the same period of previous year.

During the period under review, the sales of heat pump products declined, which was mainly due to the significant decrease in the number of projects from a major customer of the Group's subsidiary, Hongyuan Ground Energy Heating Device Technology Co., Ltd.* (宏源地能熱寶技術有限公司), which led to a severe decline in its procurement of ground source heating device products. The single major customer and high dependence of this customer are also one of the key factors for the decline in the sales of the heat pump products.

In view of the severe decline in the above-mentioned businesses, the Group has adjusted its strategic layout and actively expanded to the surrounding areas to open up new markets, such as Hunan, Anhui, Shandong, Changchun and other places. At the same time, according to the industry condition, the use of shallow geothermal energy will be promoted in the industry by drawing upon the experience gained on the key points and areas. It is expected that related projects will be implemented in the second half of the year.

At present, the Rongcheng Hospital project has been successfully implemented in Hunan, and a preliminary intent with Xiangtan Company of CECEP on the Hongsheng Yipin Residence Project (120,000 square meters) has been reached. Cooperative intention on HVAC transformation with regard to the hospitals and the relevant government departments and bureaus in Hunan has been initially formed. In Chengdu area, the demonstration of the technical solutions and the construction of the experimental well were successfully implemented for the Unicorn Island project. In Shandong and Shaanxi areas, cooperation on coal-to-electricity transformation has initially formed intentions. In addition, it has also established synergy in the market with wind power company and solar energy company of CECEP.

Under the favorable background of carbon peaking, carbon neutrality and the opening of the national carbon trading market, the Group is currently actively promoting the development of related businesses. It is expected that contacts of related projects will be signed in the second half of the year. At the same time, due contributions can be made to the country's carbon reduction and synergy as well as the promotion of the overall green transformation of economic and social development.

During the period under review, the Group has completed the disposal of 100% equity interest in HYY Science and Technology Development Group Xinyi Co., Ltd.* (恒有源科技發展集團新沂有限公司), and the relevant consideration of approximately RMB25,830,800 was received. For details of this asset disposal, please refer to the announcement of the Company dated 26 March 2021.

At the same time, during the period under review, the Group has utilized part of the proceeds from the assets or equity disposal made in 2020 to repay the remaining bank loans. As of the end of the current period, the bank loan with the principal amount of RMB400 million that guaranteed by CECEP has been fully settled which greatly reduced the financial pressure of the Group, and gradually alleviate the financial pressure faced by the Group's in its future business activities. Combining the market situation, the Company will further control the costs strictly, strengthen the construction and development of ecological properties, and expand shallow geothermal energy to replace traditional energy for the non-combustion heating market and integrated heating and cooling services.

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 2021 together with the unaudited comparative figures for the corresponding periods in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Three months ended 30 June		Six months ended 30 June	
	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	62,751	72,690	88,446	117,630
Cost of sales		<u>(38,911)</u>	<u>(37,810)</u>	<u>(59,714)</u>	<u>(74,490)</u>
Gross profit		23,840	34,880	28,732	43,140
Other income and gains	4	224	18,833	2,345	24,898
Selling and distribution expenses		(5,395)	(512)	(10,471)	(8,400)
Administrative expenses		(25,762)	(14,558)	(45,520)	(39,557)
Gain on disposal of a subsidiary		5,672	–	5,672	–
Reversal of impairment losses on trade and bills receivables, net		–	49	–	3,437
Reversal of impairment losses on contract assets, net		–	–	–	6,799
Finance costs	5	(1,071)	(4,482)	(1,867)	(10,337)
Fair value changes on investment properties		–	6,212	–	6,212
Other expenses		(4)	(3,392)	(93)	(3,392)
Share of profits and losses of: Associates		<u>(2,852)</u>	<u>(1,571)</u>	<u>(7,497)</u>	<u>(6,097)</u>
Profit/(loss) before tax	6	(5,348)	35,459	(28,699)	16,703
Income tax expense	7	<u>(4)</u>	<u>(1,802)</u>	<u>(12)</u>	<u>(1,843)</u>
Profit/(loss) for the period		<u>(5,352)</u>	<u>33,657</u>	<u>(28,711)</u>	<u>14,860</u>
Attributable to:					
Owners of the parent		(4,690)	27,325	(26,963)	9,173
Non-controlling interests		<u>(662)</u>	<u>6,332</u>	<u>(1,748)</u>	<u>5,687</u>
		<u>(5,352)</u>	<u>33,657</u>	<u>(28,711)</u>	<u>14,860</u>
Earnings/(loss) per share attributable to ordinary equity holders of the parent	9				
Basic and diluted (expressed in HK\$ cents)		<u>(0.105)</u>	<u>0.614</u>	<u>(0.606)</u>	<u>0.204</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit/(loss) for the period	(5,352)	33,657	(28,711)	14,860
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	3,764	21,218	2,268	(13,700)
Share of other comprehensive income/(loss) of associates	952	40	324	(43)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	4,716	21,258	2,592	(13,743)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:				
Equity investments designated at fair value through other comprehensive income				
Changes in fair value	-	(2,780)	-	(2,780)
Gains on property revaluation	-	436	-	436
Net other comprehensive (loss) that will not be reclassified to profit or loss in subsequent periods	-	(2,344)	-	(2,344)
Other comprehensive income/(loss) for the period, net of tax	4,716	18,914	2,592	(16,087)
Total comprehensive profit/(loss) for the period	(636)	52,571	(26,119)	(1,227)
Attributable to:				
Owners of the parent	(571)	43,272	(24,695)	(9,138)
Non-controlling interests	(65)	9,299	(1,424)	7,911
	(636)	52,571	(26,119)	(1,227)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	211,855	213,359
Investment properties		136,137	134,743
Right-of-use assets		702	1,050
Deposits paid for acquisitions of land use rights		–	17,823
Other intangible assets		70	293
Investments in associates		42,828	49,547
Equity investments designated at fair value through other comprehensive income		61,244	60,577
Deferred tax assets		42	–
Contract assets		20,213	20,213
Trade receivables		139,977	139,102
Total non-current assets		613,068	636,707
CURRENT ASSETS			
Inventories		55,092	24,733
Properties held for sale		329,456	342,652
Trade and bills receivables	11	46,060	58,743
Prepayments, other receivables and other assets		147,269	225,075
Contract assets		140,868	122,504
Amounts due from related companies		–	551
Equity investments designated at fair value through other comprehensive income		241,260	238,831
Financial assets at fair value through profit or loss		41	34
Restricted cash		1,201	7,326
Time deposits		–	233
Cash and cash equivalents		63,886	63,172
Total current assets		1,025,133	1,083,854
CURRENT LIABILITIES			
Trade and bills payables	12	298,638	279,912
Other payables and accruals		471,399	430,934
Contract liabilities		44,001	51,225
Amounts due to associates		18,076	17,891
Amounts due to related companies		32,207	30,341
Interest-bearing bank borrowings		20,625	100,998
Lease liabilities		5,667	5,889
Tax payable		169,097	189,263
Total current liabilities		1,059,710	1,106,453
NET CURRENT ASSETS/(LIABILITIES)		(34,577)	(22,599)
TOTAL ASSETS LESS CURRENT LIABILITIES		578,491	614,108

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2021

	30 June	31 December 2020
	2021	
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	578,491	614,108
NON-CURRENT LIABILITIES		
Lease liabilities	81,441	89,590
Deferred income	9,604	9,506
Deferred tax liabilities	38,323	37,838
Total non-current liabilities	129,368	136,934
Net assets	449,123	477,174
EQUITY		
Equity attributable to owners of the parent		
Share capital	13 353,043	353,043
Shares held for Share Award Scheme	(9,608)	(7,676)
Other reserves	78,366	103,061
	421,801	448,428
Non-controlling interests	27,322	28,746
Total equity	449,123	477,174

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

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

	Attributable to owners of the parent													
	Share Capital HK\$'000	Share Premium HK\$'000	Shares held for Share Awards Scheme HK\$'000	Statutory reserve HK\$'000	Assets revaluation reserve HK\$'000	Contributed Surplus HK\$'000	Special reserve HK\$'000	Capital reserve HK\$'000	Share option reserve/ share award reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2021 (audited)	353,043	904,845	(7,676)	2,935	39,300	154,381	7,553	50,878	4,620	(14,616)	(1,046,835)	448,428	28,746	477,174
Profit for the period	-	-	-	-	-	-	-	-	-	-	(26,963)	(26,963)	(1,748)	(28,711)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	2,268	-	2,268	324	2,592
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	-	-	-	2,268	(26,963)	(24,695)	(1,424)	(26,119)
Shares purchased for Share Awards Scheme	-	-	(1,932)	-	-	-	-	-	-	-	-	(1,932)	-	(1,932)
At 30 June 2021 (unaudited)	353,043	904,845*	(9,608)	2,935*	39,300*	154,381*	7,553*	50,878*	4,620*	(12,348)*	(1,073,798)*	421,801	27,322	449,123

* These reserve accounts comprise the consolidated reserves of HK\$78,367,000 (31 December 2020: HK\$103,061,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Net cash flows used in operating activities	(92,279)	(43,497)
Net cash flows from investing activities	195,543	122,119
Net cash flows used in financing activities	<u>(110,452)</u>	<u>(52,993)</u>
Net increase/(decrease) in cash and cash equivalents	(7,188)	25,629
Cash and cash equivalents at the beginning of period	63,172	56,871
Effect of foreign exchange rate changes, net	7,902	(4,365)
Cash and cash equivalents attributable to a disposal group	<u>–</u>	<u>(11)</u>
Cash and cash equivalents at the end of period	<u>63,886</u>	<u>78,124</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

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

The addresses of the registered office and principal place of business in Hong Kong of the Company are P.O. Box 31119, Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands and 8/F, Chung Hing Commercial Building, 62-63 Connaught Road Central, Central, Hong Kong respectively.

During the six months ended 30 June 2021, the Group was involved in the following principal activities:

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

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) and with Hong Kong Accounting Standard 34 (“**HKAS 34**”), Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The condensed consolidated financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2021.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>

The adoption of these amended standards and interpretation did not result in any significant impact on the Group's financial performance and financial position.

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

(a) Segment revenue and results

The following tables present revenue and profit information for the Group's operating segments for the six months ended 30 June 2021 and 2020, respectively:

	Shallow geothermal energy		Air conditioning/Shallow geothermal heat pump		Property investment and development		Securities investment and trading		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue (note 4)										
Sales to external customers	82,538	91,776	1,324	18,426	4,584	7,428	-	-	88,446	117,630
Intersegment sales	-	-	993	7,223	-	-	-	-	993	7,223
	82,538	91,776	2,317	25,649	4,584	7,428	-	-	89,439	124,853
Reconciliation:										
Elimination of intersegment sales									(993)	(7,223)
Revenue									88,446	117,630
Segment results	24,368	26,594	(2,251)	1,129	234	14,920	-	(813)	22,351	41,830
Reconciliation:										
Elimination of intersegment results									(50)	(463)
Share of profits or losses of associates									(7,497)	(6,097)
Unallocated other income									4,580	10,236
Corporate and other unallocated expenses									(46,216)	(18,526)
Finance costs (other than interest on lease liabilities)									(1,867)	(10,277)
Profit/(loss) before tax									(28,699)	16,703

(b) Segment assets and liabilities

The following tables present assets and liabilities information for the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively:

	30 June 2021				
	Shallow geothermal energy HK\$'000 (Unaudited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Unaudited)	Property investment and development HK\$'000 (Unaudited)	Securities investment and trading HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	883,110	48,890	483,589	303,258	1,718,847
<u>Reconciliation:</u>					
Elimination of intersegment receivables					(257,856)
Corporate and other unallocated assets					177,210
Total assets					1,638,201
Segment liabilities	849,969	47,867	112,529	9,823	1,020,188
<u>Reconciliation:</u>					
Elimination of intersegment payables					(257,856)
Corporate and other unallocated liabilities					426,746
Total liabilities					1,189,078

	31 December 2020				
	Shallow geothermal energy HK\$'000 (Audited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Audited)	Property investment and development HK\$'000 (Audited)	Securities investment and trading HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	788,265	52,225	588,438	300,152	1,729,080
<u>Reconciliation:</u>					
Elimination of intersegment receivables					(132,292)
Corporate and other unallocated assets					123,773
Total assets					1,720,561
Segment liabilities	696,418	48,345	154,936	8,760	908,459
<u>Reconciliation:</u>					
Elimination of intersegment payables					(132,292)
Corporate and other unallocated liabilities					467,220
Total liabilities					1,243,387

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<i>Revenue from contracts with customers</i>	58,167	68,930	83,862	110,202
<i>Revenue from other sources</i>				
Gross rental income	4,584	3,760	4,584	7,428
	62,751	72,690	88,446	117,630

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	Shallow geothermal energy HK\$'000 (Unaudited)	Air conditioning/ shallow geothermal heat pump HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Types of goods or services:			
Sale of industrial products	–	1,324	1,324
Construction services	82,538	–	82,538
Total revenue from contracts with customers	82,538	1,324	83,862
Geographical markets:			
Mainland China	82,538	1,324	83,862
Timing of revenue recognition:			
Goods transferred at a point in time	–	1,324	1,324
Services transferred over time	82,538	–	82,538
Total revenue from contracts with customers	82,538	1,324	83,862

For the six months ended 30 June 2020

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

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the six months ended 30 June 2021

Segments	Shallow geothermal energy <i>HK\$'000</i> (Unaudited)	Air conditioning/ Shallow geothermal heat pump <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue from contracts with customers:			
External customers	82,538	1,324	83,862
Intersegment sales	–	993	993
Intersegment adjustments and eliminations	82,538	2,317 (993)	84,855 (993)
Total revenue from contracts with customers	82,538	1,324	83,862

For the six months ended 30 June 2020

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

	Three months ended 30 June		Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Other income				
Interest income	29	43	89	109
Sale of scrap materials	—	375	—	375
Dividend income from equity investment designated at fair value through other comprehensive income	—	3,033	—	3,033
Government grants (<i>Note</i>)	6	567	954	2,874
Waive of trade payables	—	16,629	—	16,629
Others	189	(1,814)	1,302	1,878
	224	18,833	2,345	24,898

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

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans	1,071	4,451	1,867	10,277
Interest on lease liabilities	–	31	–	60
	1,071	4,482	1,867	10,337

6. PROFIT/(LOSS) BEFORE TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	22,825	–	28,400	16,259
Cost of services provided	16,086	37,810	31,314	58,231
Depreciation	1,379	4,267	3,670	7,754
Employee benefit expense (including directors' and chief executive's remuneration)	14,880	13,500	29,400	27,336
Reversal of impairment loss recognised in respect of trade and bills receivables, net	–	(49)	–	(3,437)
Reversal of impairment loss recognized in respect of contract assets, net	–	–	–	(6,799)

7. INCOME TAX EXPENSE

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI during both periods.

No provision for Hong Kong profits tax has been made as the Group did not have any assessable profits subject to Hong Kong profits tax during both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except as stated below, the tax rate of all the other PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the income tax rules and regulations of the PRC, certain subsidiaries were recognised as high and new technology enterprises and the income tax rate applicable to these subsidiaries was 15% for the six months ended 30 June 2021 (six months ended 30 June 2020: 15%).

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Mainland China	4	124	12	165
Deferred	–	1,678	–	1,678
Total tax charge for the period	4	1,802	12	1,843

8. DIVIDENDS

No interim dividend was paid, declared or proposed during the six months ended 30 June 2021, nor has any dividend been proposed since the end of the interim reporting period (six months ended 30 June 2020: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,447,637,000 (30 June 2020: 4,487,517,000) in issue during the period.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Earnings/(loss)				
Profit/(loss) for the period attributable to ordinary equity holders of the parent	<u>(4,690)</u>	<u>27,325</u>	<u>(26,963)</u>	<u>9,173</u>
		Number of shares		
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	<u>4,447,637</u>	<u>4,448,109</u>	<u>4,447,637</u>	<u>4,487,517</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group did not have any material acquisition of property, plant and equipment.

11. TRADE AND BILLS RECEIVABLES

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Trade receivables	290,116	321,087
Impairment	<u>(104,199)</u>	<u>(123,465)</u>
Trade receivables, net	185,197	197,622
Bills receivables	<u>120</u>	<u>223</u>
	186,037	197,845
Less: non-current portion	<u>(139,977)</u>	<u>(139,102)</u>
Current portion	<u>46,060</u>	<u>58,743</u>

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

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 90 days	27,636	106,295
91 to 180 days	74,406	3,995
181 to 365 days	11,428	9,625
Over 365 days	72,567	77,930
	186,037	197,845

12. TRADE AND BILLS PAYABLES

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

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 90 days	60,793	121,586
91 to 180 days	15,667	3,509
181 to 365 days	7,018	7,506
Over 365 days	215,160	147,311
	298,638	279,912

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

13. SHARE CAPITAL

	Number of shares		Share capital		Share capital	
	US\$0.01 each					
	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020
	'000	'000	US\$'000	US\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Ordinary shares						
Issued and fully						
paid	<u>4,526,925</u>	<u>4,526,925</u>	<u>45,269</u>	<u>45,269</u>	<u>353,043</u>	<u>353,043</u>

14. COMMITMENTS

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

	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracted, but not provided for:		
– Capital contributions payable to an associate	<u>551</u>	<u>594</u>

15. RELATED PARTY TRANSACTIONS

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Associates:				
Purchases of products	802	29,789	2,175	29,824
Rental income	–	50	–	100
Other related parties:				
Cash deposit	–	6	–	6
Rental expense	–	4	–	16
Interest expense	–	3,918	–	8,283

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

	Three months ended 30 June		Six months ended 30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Short term employee benefits	2,699	3,417	5,633	7,447
Post-employment benefits	–	15	–	31
Total compensation paid to key management personnel	2,699	3,432	5,633	7,478

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June	31 December	30 June	31 December
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets				
Trade receivables, non-current portion	139,977	139,102	139,977	139,102
Equity investments designated at fair value through other comprehensive income	302,504	299,408	302,504	299,408
Financial assets at fair value through profit or loss	41	34	41	34
	442,522	438,544	442,522	438,544
Financial liabilities				
Interest-bearing bank borrowings	20,625	100,998	20,625	100,998

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee.

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

As at 30 June 2021, 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:

Long Positions in Shares and Equity Derivatives

Name of Directors	Nature of interest	Number of Shares	Percentage of total issued Shares ⁽¹⁾
Mr. Xu Shengheng	Beneficial owner	715,646,600	15.83%
	Interest of spouse	982,800	
Ms. Chan Wai Kay Katherine	Beneficial owner	62,290,400	1.69%
	Interest of spouse	14,103,600	
Mr. Wang Manquan	Beneficial owner	716,800	0.02%
Ms. Liu Ening	Beneficial owner	250,000,000	5.52%
Mr. Zhang Yiying	Beneficial owner	2,504,000	5.58%
	Interest of Controlled Corporation ⁽²⁾	250,000,000	
Mr. Jia Wenzeng	Beneficial owner	2,000,000	0.04%
Mr. Wu Desheng	Beneficial owner	2,000,000	0.04%
M. Wu Qiang	Beneficial owner	2,000,000	0.04%
M. Guo Qingui	Beneficial owner	2,000,000	0.04%
M. Guan Chenghua	Beneficial owner	2,000,000	0.04%

Notes:

- (1) The calculation is based on (i) the aggregate number of the shares of the Company ("Shares") and, if any, underlying Shares pursuant to share awards; and (ii) the total number of 4,526,925,163 Shares in issue of the Company.
- (2) Universal Zone Limited, which is wholly owned by Mr. Zhang Yiying, holds 250,000,000 Shares.

Save as disclosed above, as at 30 June 2021, 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 2021, 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 in Shares and Underlying Shares

Name	Nature of interest	Number of Shares	Percentage of total issued Shares ⁽¹⁾
China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited ⁽²⁾	Beneficial interest	1,190,000,000	26.29%
China Energy Conservation and Environmental Protection Group ⁽²⁾	Interest of controlled corporation	1,190,000,000	26.29%
Ms. Luk Hoi Man	Beneficial interest	982,800	15.83%
	Interest of spouse	715,646,600	
Universal Zone Limited	Beneficial owner	250,000,000	5.52%
Mr. Wang Zhiyu	Interest of spouse	250,000,000	5.52%

Notes:

- (1) The calculation is based on (i) the aggregate number of Shares and, if any, underlying Shares pursuant to share awards; and (ii) the total number of 4,526,925,163 Shares in issue of the Company.
- (2) China Energy Conservation and Environmental Protection (Hong Kong) Investment Company Limited, a wholly-owned subsidiary of China Energy Conservation and Environmental Protection Group, holds 1,190,000,000 Shares.

Save as disclosed above, as at 30 June 2021, 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.

SHARE AWARD SCHEME

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

During the six months ended 30 June 2021, details of the awarded shares under the Share Award Scheme are set out below:

Awardees	Date of grant	Vesting date	Number of Shares			
			As at 1 January 2021	Granted during the period	Vested during the period	Lapsed during the period
<u>Directors</u>						
Mr. Xu Shengheng	7 July 2020	31 December 2020	4,000,000	–	4,000,000	–
Ms. Chan Wai Kay Katherine	7 July 2020	31 December 2020	4,000,000	–	4,000,000	–
Mr. Wang Manquan	7 July 2020	31 December 2020	10,000,000	–	–	10,000,000
Mr. Wang Zhiyu [#]	7 July 2020	31 December 2020	2,000,000	–	–	2,000,000
Mr. Zhang Yiyi	7 July 2020	31 December 2020	2,000,000	–	2,000,000	–
Mr. Jia Wenzeng	7 July 2020	31 December 2020	2,000,000	–	2,000,000	–
Mr. Wu Desheng	7 July 2020	31 December 2020	2,000,000	–	2,000,000	–
Mr. Wu Qiang	7 July 2020	31 December 2020	2,000,000	–	2,000,000	–
Mr. Guo Qingui	7 July 2020	31 December 2020	2,000,000	–	2,000,000	–
Mr. Guan Chenghua	7 July 2020	31 December 2020	2,000,000	–	2,000,000	–
<u>Employees</u>	7 July 2020	31 December 2020	58,000,000	–	4,000,000	54,000,000
<u>Consultants</u>	7 July 2020	31 December 2020	30,000,000	–	30,000,000	–
	16 September 2020	31 December 2020	4,000,000	–	4,000,000	–

[#] Mr. Wang Zhiyu resigned as non-executive Director of the Company with effect from 12 March 2021.

COMPETITION AND CONFLICT OF INTERESTS

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

CORPORATE GOVERNANCE CODE

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

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

Mr. Yang Wei, Mr. Wang Michael Zhiyu and Mr. Zhang Yiying, the non-executive Directors, as well as Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua, the independent non-executive Directors, did not attend the extraordinary general meeting held on 19 February 2021 due to their engagement in other business.

Mr. Zhang Yiying and Ms. Liu Ening, the non-executive Directors, as well as Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua, the independent non-executive Directors, did not attend the annual general meeting held on 8 June 2021 due to their 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 five independent non-executive Directors, namely, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua. Mr. Jia Wenzeng is the chairman of the audit committee. The audit committee has reviewed the Group’s unaudited results for the Review Period and has provided advice and comment thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

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

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the change in information of the Directors for the six months ended 30 June 2021 is set out below:

Changes of Directors and nominations of the Company

From 4 February 2021, Mr. Xu Shengheng was elected as the chairman of the Group. In addition, Mr. Xu ceased to act as a director of Ever Source Technology Development Group Dalian Co., Ltd.* (恒有源科技發展集團大連有限公司), a subsidiary of the Company, since 3 February 2021. Since 30 April 2021, he ceased to act as a director of Beijing Haidian District Hengyuan Vocational Skills Training School* (北京海澱區恒有源職業技能培訓學校), a subsidiary of the Company. Since 22 June 2021, he ceased to act as a director of Dalian Heng Run Feng Jiaye Real Estate Development Co., Ltd.* (大連恒潤豐佳業房地產開發有限公司), a subsidiary of the Company.

From 4 February 2021, Ms. Wang Yan ceased to be the joint chairman of the Board of the Company and remained as an executive Director, deputy chairman of nomination committee and remuneration committee of the Company.

Mr. Wang Zhiyu resigned as non-executive Director of the Company with effect from 12 March 2021.

Ms. Liu Ening ceased to act as alternate Director to Mr. Wang Zhiyu and was appointed as non-executive Director of the Company with effect from 12 March 2021.

Mr. Wang Manquan and Ms. Hao Xia were appointed as director of Ever Source Technology Development Group Dalian Co., Ltd.* (恒有源科技發展集團大連有限公司), a subsidiary of the Company, since 3 February 2021.

Changes in Directors' emolument

The annual salary of Mr. Xu Shengheng, the Chairman of the Company, was decreased from HK\$3.8 million to HK\$2.9 million for the year 2021.

The annual salary of Ms. Chan Wai Kay, Katherine, the Deputy Chairman of the Company, was decreased from HK\$1.92 million to HK\$1.47 million for the year 2021.

The annual salary of Ms. Wang Yan, an executive Director of the Company, was decreased from HK\$2.016 million to HK\$1.116 million for the year 2021.

The annual salary of Mr. Wang Manquan, an executive Director of the Company, was decreased from HK\$1.62 million to HK\$1.458 million for the year 2021.

The annual salary of Ms. Hao Xia, an executive Director of the Company, was decreased from HK\$1.2 million to HK\$1.08 million for the year 2021.

The annual salary of Mr. Dai Qi, an executive Director of the Company, was decreased from HK\$0.84 million to HK\$0.756 million for the year 2021.

Each of the non-executive Directors of the Company, namely Mr. Yang Wei, Mr. Zhang Yiying and Ms. Liu Ening, is entitled to an annual directors' fee of HK\$60,000 for the year 2021.

The annual directors' fee of each of the independent non-executive Directors of the Company, namely Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua increased from HK\$150,000 to HK\$170,000 for the year 2021.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules for the six months ended 30 June 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Review Period, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities, except that the trustee of the Share Award Scheme, pursuant to the rules of the Share Award Scheme, purchased on the open market a total of 24,208,000 shares of the Company, representing approximately 0.53% of the issued share capital of the Company, at a consideration of approximately HK\$1,932,000 during the six months ended 30 June 2021.

As at the date of this announcement, the Board comprises Mr. Xu Shengheng, Ms. Chan Wai Kay, Katherine, Ms. Wang Yan, Mr. Wang Manquan, Ms. Hao Xia and Mr. Dai Qi as executive Directors, Mr. Yang Wei, Mr. Zhang Yiying and Ms. Liu Ening as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng, Mr. Wu Qiang, Mr. Guo Qingui and Mr. Guan Chenghua as independent non-executive Directors.

By Order of the Board of
China Geothermal Industry Development Group Limited
Xu Shengheng
Chairman

Hong Kong, 11 August 2021

* *For identification purpose only*

This announcement will remain on the GEM website with the domain name of www.hkgem.com on the "Latest Company Announcement" page for at least 7 days from the date of publication and on the website of the Company at www.cgsenergy.com.hk.