



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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**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.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 nine months ended 30 September 2020 (the “Review Period”) amounted to approximately HK\$198,486,000.

Net loss after tax of the Group for the Review Period amounted to approximately HK\$10,798,000.

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 nine months ended 30 September 2019.

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
– Shallow geothermal energy	40,659	81,434	132,435	164,176
– Air conditioning/shallow geothermal heat pump	36,930	47,571	55,356	61,989
– Property investment and development	3,267	1,972	10,695	8,280
	<u>80,856</u>	<u>130,977</u>	<u>198,486</u>	<u>234,445</u>
(Loss)/Profit for the period	<u>(25,658)</u>	<u>15,239</u>	<u>(10,798)</u>	<u>(52,170)</u>
(Loss)/Profit attributable to owners of the parent	<u>(24,538)</u>	<u>16,018</u>	<u>(15,365)</u>	<u>(49,682)</u>

During the Review Period, the Group's revenue amounted to approximately HK\$198,486,000 which was mainly contributed by shallow geothermal energy utilisation business as compared with that of approximately HK\$234,445,000 for the corresponding period last year. The revenue decreased by approximately HK\$35,959,000 as compared with that of corresponding period last year. The decrease in revenue of the shallow geothermal energy utilisation system was mainly attributable to the influence of the COVID-19 epidemic this year, which led to a slowdown in the overall revenue scale. The related projects in plan were not completed as scheduled. Given the fact that the rural coal-to-electricity projects in Beijing were basically completed at the end of last year, the Group also explore and tap the surrounding markets in other cities to minimize the impact of the sudden COVID-19 epidemic this year. The Group's gross profit margin was slightly decreased by 1.1% as compared with the corresponding period last year. The gross profit margin was 28.5% for the nine months ended 30 September 2020, whereas it was 29.6% in the corresponding period last year.

Other income and gains increased from approximately HK\$13,671,000 in the corresponding period last year to approximately HK\$24,357,000 for the nine months ended 30 September 2020. This was mainly attributable to the adjustment regarding the waiver of the account payables and the increase in the dividend income and government subsidy received.

Selling and distribution expenses amounted to approximately HK\$13,608,000 and HK\$17,968,000 for the nine months ended 30 September 2020 and 2019 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\$11,541,000 or 16.3% as compared with that of nine months ended 30 September 2019. Administrative expenses decreased mainly due to the effective cost control implemented by the Group, included the decrease in employee salary and benefit expenses by HK\$3,880,000.

Finance costs amounted to approximately HK\$22,534,000 for the nine months ended 30 September 2020 as compared with approximately HK\$32,824,000 for the last corresponding period. The decrease in finance costs was mainly due to the reduction of loan interest rate obtained and guarantee fee payable.

For the nine months ended 30 September 2020, the loss for the period was approximately HK\$10,798,000, whereas loss was approximately HK\$52,170,000 for the corresponding period in last year. The dramatic reduction of loss during the period was mainly due to the decrease of operating cost during the period by cost control measures implemented, the reduced finance cost, the written back of impairment losses on trade receivables and contract assets and the increase of fair value on investment properties.

BUSINESS REVIEW AND OUTLOOK

During the Review Period, the Company recorded revenue of approximately HK\$198,486,000, of which revenue of engineering construction accounted for approximately 67% of the total revenue, rental of investment property accounted for approximately 5% of the total revenue, and equipment sales accounted for 28% of the total revenue.

The Group's revenue during the Review Period was severely affected by the novel coronavirus pandemic this year, which led to a slowdown in the overall revenue scale. Some related projects as scheduled were unable to be conducted, resulting in a year-on-year decrease in revenue of 15.34%. In view of the fact that the rural coal-to-electricity projects in Beijing have basically been completed at the end of last year, we have put much efforts to fully explore and tap the surrounding markets in other cities in order to minimize the impact of the sudden outbreak of novel coronavirus pandemic. With the continuous efforts of the Group, preliminary results have been achieved by securing Hebei Baoding Qingyuan Rural Coal-to-Electricity Project, Hebei Longyao County Year 2020 Winter Clean Heating Project, Hebei Ningjin County Rural Area Winter Clean Heating and other self-heating projects, Hebei Huailai Haidian Foreign Language School Campus Central Heating Project, all these projects are currently under construction.

In order to adapt to the market competition and give full play to the advantages of shallow geothermal as an alternative energy for heating, based on the traditional business model, additional new business models have been added to gradually expand the application market. It is expected that, in the fourth quarter, we will continue to strengthen the promotion and cooperation in Shanxi, Inner Mongolia and other places for the large-scale rural winter clean heating projects and public building heating projects with an aim to let more users to benefit and have a cleaner and better living environment.

During the Review Period, the Group actively began to sell the assets of the industrial park. In March and May of this year, it entered into transfer agreements with relevant companies in Beijing and Hangzhou to respectively transfer the Company's properties in Beijing and the properties in Hangzhou. It is expected that they would bring about RMB250 million of cash inflow to the Group. While ensuring the operation of the Group, the Company can also repay part of the bank loans, thereby reducing the overall financial cost of the Group.

At the same time, under the influence of the novel coronavirus pandemic, the Group adjusted its operating structure to strengthen the project cost control on the one hand and control the various operating expenses on the other. The Group has actively implemented the relevant control measures which has showed positive results. The overall selling and distribution expenses and administrative expenses in the Review Period have been significantly reduced as compared with that of the same period last year.

In this year's "14th Five-Year Plan", China has put forward a broad prospect for the development and utilization of geothermal energy, which is mainly reflected in the distributed and large-scale development of shallow geothermal heating (cooling), the promotion of commercial development models for medium and deep geothermal heating, and wide application of "geothermal energy+" etc. At the same time, it is envisaged to promote the high-quality development of the geothermal energy industry by implementing the development path of "one point, two belts, three zones, and internationalization". "One Point" is to create a model for the high-quality development of the geothermal industry in Xiong'an New Area, capturing the commanding heights of the global industry; "Two Belts" is to create the potential zone for the development of the geothermal energy industry in two river basins around the ecological protection and high-quality development strategy of the Yellow River Basin and the Yangtze River Economic Belt Development Strategy; the "Three Zones" focusing on the development of winter clean heating in the north, heating (cooling) in the hot summer and cold winter areas in the south, and geothermal power generation in the Qinghai-Tibet Plateau; "internationalization" is in line with the national "One Belt, One Road" strategy, through International exchanges and cooperation, strengthen the introduction, digestion and absorption of foreign advanced technology, push on the layout and promotion of the geothermal industry in the areas along the "One Belt and One Road", and achieve the goal of going global. With the nation's overall layout and emphasis on clean energy and the firm determination to achieve future emission reduction targets, it is believed that the development opportunities that will be brought to the industry will be enormous.

The "14th Five-Year Plan" fully implements shallow geothermal energy for non-combustion clean heating and emerging industries of integrated heating and cooling with renewable energy: The system of shallow geothermal energy for non-combustion clean heating is a physics change process. Under the premise of reasonable design and construction quality assurance, the system can maintain no waste discharge. Shallow geothermal energy is an alternative energy for heating. It is a heating energy in the new era of high-efficiency and reasonable utilization according to the same grade, temperature matching, scientific classification. The process of physics change allows the heating system to last longer.

At present, the classification of integrated heating and cooling heat pump products according to the "Building Climate Zoning Standards" are basically matured, ushering in the rapid development of the emerging industry of integrated heating and cooling by electricity transportation. The basic principle of efficient heating of the system is the conversion of one unit of electrical energy into mechanical energy to transport the heat energy equivalent to that obtained by direct heating with 3 units or more electrical energy which can efficiently be used for the buildings heating without combustion. Shallow geothermal energy, as an alternative energy for heating, uses a system for buildings heating in winter efficiently and energy-saving cooling in summer.

At present, President Xi Jinping has issued a call for clean heating! Being a service provider for non-combustion clean heating utilizing shallow geothermal energy instead of traditional combustion energy is a glorious task given to us. Since shallow geothermal energy is generally below 25 °C, the ambient temperature is low, the cooling efficiency is high, and it is also a high-efficiency energy-saving technology.

Shallow geothermal energy replaces traditional burning energy for clean heating. Not only it can correspond and ensure the “economical” central heating introduced from Europe, the United States, and Japan but also creatively inherit and carry forward the Chinese tradition “thrifty” heating. It has truly realized the revolution in rural lifestyle: heating costs are generally lower than that of coal-fired heating. It has achieved the separate metering mode at when heating system is switched on and solved the problem for the system will not be frozen if it is switched off.

Energy security is the lifeline, cost is the key and supply assurance is the fundamental for the alternative heating energy. Shallow geothermal energy is low-temperature heat energy below 25 °C, which exists in rivers, lakes, seas, underground rock, soil and water. It provides guarantee due to its large quantities and wide in areas availability and of high efficiency of renewable, storage and recycling factors which can replace about 10% of the energy consumption of the year. Therefore, it is of great significance to replace burning heating energy with shallow geothermal energy. “Corruption and wasting are both crimes” – use of high-grade energy as low-grade energy is a huge waste. We must view clean heating with shallow geothermal energy without combustion from an ethical perspective, and the practical significance of replacing the combustion heating energy and the strategic significance of the security of heating energy.

It is believed that, in the future, China will show to the world at the Winter Olympics, taking the lead in Beijing and Beijing-Tianjin-Hebei will soon form a mature power grid to support the heating network with shallow geothermal energy derived from local conditions as an alternative energy for clean heating in the north and the national renewable energy integrated heating and cooling network.

With the development of emerging industries of the Company is supported by market, the heating and cooling systems is supported by products, the technological development is supported by technology, the engineering construction development is supported by the national qualifications, relying on our country’s original core technology, non-combustion, low-cost, high-efficiency heating and cooling will increase corporate efficiency while improving the quality of life of the people.

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 nine months ended 30 September 2020 together with the unaudited comparative figures for the corresponding periods in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	80,856	130,977	198,486	234,445
Cost of sales		(67,427)	(82,396)	(141,917)	(165,102)
Gross profit		13,429	48,581	56,569	69,343
Other income and gains	3	(541)	824	24,357	13,671
Selling and distribution expenses		(5,208)	(5,997)	(13,608)	(17,968)
Administrative expenses		(19,665)	(22,226)	(59,222)	(70,763)
Written back/provision of impairment losses on trade and bills receivables, net		–	–	3,437	(2,887)
Impairment losses on prepayments, deposits and other receivables, net		–	–	–	(3,367)
Written back/provision of impairment losses on contract assets, net		–	–	6,799	(511)
Finance costs	4	(12,197)	(9,097)	(22,534)	(32,824)
Fair value changes on financial assets designated at fair value through profit or loss		(1,436)	–	(1,436)	–
Fair value changes on investment properties		43	–	6,255	1,318
Others expenses		1,344	(125)	(2,048)	(1,231)
Share of profits and losses of:					
A joint venture		–	70	–	216
Associates		971	3,993	(5,126)	(4,630)
Share-based payment expenses		(2,205)	–	(2,205)	–
(Loss)/profit before tax	5	(25,465)	16,023	(8,762)	(49,633)
Income tax expense	6	(193)	(784)	(2,036)	(2,537)
(Loss)/profit for the period		(25,658)	15,239	(10,798)	(52,170)
Attributable to:					
Owners of the parent		(24,538)	16,018	(15,365)	(49,682)
Non-controlling interests		(1,120)	(779)	4,567	(2,488)
		(25,658)	15,239	(10,798)	(52,170)
(Loss)/earnings per share attributable to ordinary equity holders of the parent	8				
Basic and diluted (expressed in HK\$ cents)		(0.551)	0.376	(0.345)	(1.211)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 September 2020

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Notes				
(Loss)/profit for the period	(25,658)	15,239	(10,798)	(52,170)
Other comprehensive (loss)/income:				
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:				
Exchange differences:				
Exchange differences on translation of foreign operations	(6,678)	(19,108)	(20,378)	(20,937)
Share of other comprehensive income of a joint venture	–	10	–	7
Share of other comprehensive loss of associates	(61)	(254)	(104)	(146)
Net other comprehensive (loss) that may be reclassified to profit or loss in subsequent periods	(6,739)	(19,352)	(20,482)	(21,076)
Other comprehensive income/ (loss) that will not be reclassified to profit or loss in subsequent periods:				
Equity instruments designated at fair value through other comprehensive income				
Changes in fair value, net of tax	–	719	(2,780)	4,770
Gain on property revaluation	(826)	–	(390)	3,381
Net other comprehensive income/ (loss) that will not be reclassified to profit or loss in subsequent periods	(826)	719	(3,170)	8,151
Other comprehensive loss for the period, net of tax	(7,565)	(18,633)	(23,652)	(12,925)
Total comprehensive loss for the period	(33,223)	(3,394)	(34,450)	(65,095)
Attributable to:				
Owners of the parent	(33,453)	(1,914)	(42,591)	(62,431)
Non-controlling interests	230	(1,480)	8,141	(2,664)
	(33,223)	(3,394)	(34,450)	(65,095)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2020

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, Hong Kong respectively.

During the nine months ended 30 September 2020, 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 its 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 nine months ended 30 September 2020 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, Hong Kong Accounting Standards and Interpretations 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 2019.

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 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations effective as of 1 January 2020. The Group has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from contracts with customers	77,589	129,005	187,791	226,165
Revenue from other sources				
Gross rental income	3,267	1,972	10,695	8,280
	<u>80,856</u>	<u>130,977</u>	<u>198,486</u>	<u>234,445</u>
Type of goods or service				
Sale, installation and maintenance of shallow geothermal energy utilisation system	40,659	81,434	132,435	164,176
Sale of air conditioning/shallow geothermal heat pump products	36,930	47,571	55,356	61,989
Rental income	3,267	1,972	10,695	8,280
Total revenue	<u>80,856</u>	<u>130,977</u>	<u>198,486</u>	<u>234,445</u>
Geographical markets				
Mainland China	80,856	130,977	198,486	234,445
Total revenue	<u>80,856</u>	<u>130,977</u>	<u>198,486</u>	<u>234,445</u>
Timing of revenue recognition				
Goods transferred at a point in time	36,930	47,571	55,356	61,989
Services transferred over time	40,659	81,434	132,435	164,176
Total revenue from contracts with customers	77,589	129,005	187,791	226,165
Rental income	3,267	1,972	10,695	8,280
Total revenue	<u>80,856</u>	<u>130,977</u>	<u>198,486</u>	<u>234,445</u>

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other income				
Interest income	47	491	156	2,177
Sale of scrap materials	–	286	375	443
Dividend income from financial assets at fair value through profit or loss	–	26	–	26
Dividend income from financial assets at fair value through other comprehensive income	–	–	3,053	–
Government grants (<i>Note</i>)	506	38	3,380	903
Waiver of trade payable	495	–	17,124	–
Others	(1,609)	21	269	10,122
	<u>(541)</u>	<u>836</u>	<u>24,357</u>	<u>13,671</u>
Losses				
Fair value change on financial assets at fair value through profit or loss	<u>(1,436)</u>	<u>(12)</u>	<u>(1,436)</u>	<u>–</u>
	<u>(1,436)</u>	<u>(12)</u>	<u>(1,436)</u>	<u>–</u>
	<u><u>(1,977)</u></u>	<u><u>824</u></u>	<u><u>22,921</u></u>	<u><u>13,671</u></u>

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

4. FINANCE COSTS

An analysis of finance costs is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on bank loans	11,049	6,262	21,326	23,931
Guarantee fee on bank loans	1,119	1,854	1,119	6,486
Interest on lease liabilities	29	981	89	2,407
	<u>12,197</u>	<u>9,097</u>	<u>22,534</u>	<u>32,824</u>

5. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax is arrived at after charging:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories sold	35,911	52,224	52,170	65,018
Cost of services provided	31,516	30,172	89,747	100,084
Depreciation	2,451	1,571	10,205	9,976
Employee benefit expense (including directors' and chief executive remuneration)	12,034	18,608	39,370	54,624
(Written back)/provision of impairment losses on trade and bills receivables, net	—	—	(3,437)	2,887
Impairment losses on prepayments, deposits and other receivables, net	—	—	—	3,367
(Written back)/provision of impairment losses on contract assets	—	—	(6,799)	511

6. 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 nine months ended 30 September 2020 (nine months ended 30 September 2019: 15%).

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current – Mainland China	193	784	358	1,462
Deferred	<u>–</u>	<u>–</u>	<u>1,678</u>	<u>1,075</u>
Total tax charge for the period	<u>193</u>	<u>784</u>	<u>2,036</u>	<u>2,537</u>

7. DIVIDENDS

No interim dividend was paid, declared or proposed during the nine months ended 30 September 2020, nor has any dividend been proposed since the end of the interim reporting period (nine months ended 30 September 2019: Nil).

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

The calculation of the basic (loss)/earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 4,455,420,000 (2019: 4,103,212,000) in issue during that period.

The computation of diluted earnings per share does not assume the exercise of the Company's share options because the exercise prices of those options were higher than the average market price of the Company's shares for the nine months ended 30 September 2020 and 2019.

No adjustment has been made to the basic (loss)/earnings per share amounts presented for the nine months ended 30 September 2020 and 2019 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic (loss)/earnings per share amounts presented.

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

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/earnings				
(Loss)/profit for the period attributable to ordinary equity holders of the parent	<u>(25,658)</u>	<u>16,018</u>	<u>(10,978)</u>	<u>(49,682)</u>
	'000	'000	'000	'000
Shares				
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	<u>4,455,420</u>	<u>4,254,947</u>	<u>4,455,420</u>	<u>4,103,212</u>

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

For the nine months ended 30 September 2020

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium 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 HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 31 December 2018 (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
Effect of adoption of HKFRS 16	-	-	-	-	-	-	-	-	-	35,037	35,037	-	35,037
At 1 January 2019 (unaudited)	313,793	904,470	2,935	48,358	154,381	2,975	13,449	49,117	(25,570)	(377,477)	1,086,431	33,468	1,119,899
Loss for the period	-	-	-	-	-	-	-	-	-	(49,682)	(49,682)	(2,488)	(52,170)
Other comprehensive income/(loss) for the period	-	-	-	3,381	-	-	4,770	-	(20,900)	-	(12,749)	(176)	(12,925)
Total comprehensive income/(loss) for the period	-	-	-	3,381	-	-	4,770	-	(20,900)	(49,682)	(62,431)	(2,664)	(65,095)
Issue of shares	19,625	-	-	-	-	-	-	-	-	-	19,625	-	19,625
Business combination involving entities not under common control	-	-	-	-	-	-	-	-	-	-	-	1,644	1,644
At 30 September 2019 (unaudited)	<u>333,418</u>	<u>904,470</u>	<u>2,935</u>	<u>51,739</u>	<u>154,381</u>	<u>2,975</u>	<u>18,219</u>	<u>49,117</u>	<u>(46,470)</u>	<u>(427,159)</u>	<u>1,043,625</u>	<u>32,448</u>	<u>1,076,073</u>

	Attributable to owners of the parent											Non-controlling interests	Total equity
	Share capital HK\$'000	Share premium HK\$'000	Shares held for share award 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 HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	
At 31 December 2019 (audited)	353,043	904,845	-	2,935	42,616	154,381	7,553	17,876	49,117	(42,747)	(853,553)	636,066	664,105
Loss for the period	-	-	-	-	-	-	-	-	-	-	(15,365)	(15,365)	(10,798)
Other comprehensive income/(loss) for the period	-	-	-	-	(390)	-	-	(2,780)	-	(24,056)	-	(27,226)	(23,652)
Total comprehensive income/(loss) for the period	-	-	-	-	(390)	-	-	(2,780)	-	(24,056)	(15,365)	(42,591)	(34,450)
Adjustment on expiry of share option	-	31,174	-	-	-	-	-	-	(31,174)	-	-	-	-
Shares purchased for share award scheme	-	-	(5,471)	-	-	-	-	-	-	-	-	(5,471)	(5,471)
At 30 September 2020 (unaudited)	<u>353,043</u>	<u>936,019</u>	<u>(5,471)</u>	<u>2,935</u>	<u>42,226</u>	<u>154,381</u>	<u>7,553</u>	<u>15,096</u>	<u>17,943</u>	<u>(66,803)</u>	<u>(868,918)</u>	<u>588,004</u>	<u>624,184</u>

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

As at 30 September 2020, 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 and Short Positions in Shares and Equity Derivatives

Name of Directors	Nature of interest	Number of Shares	Number of underlying Shares pursuant to		Percentage of total issued Shares ⁽¹⁾
			share options	share awards	
Mr. Xu Shengheng	Beneficial owner	711,646,600	24,700,990	4,000,000	16.38%
	Interest of spouse	982,800			
Ms. Chan Wai Kay Katherine	Beneficial owner	58,290,400	24,700,990	4,000,000	2.23%
	Interest of spouse	14,103,600			
Mr. Wang Manquan	Beneficial owner	716,800	24,700,990	10,000,000	0.78%
Mr. Wang Michael Zhiyu ⁽²⁾	Beneficial owner			2,000,000	5.57%
	Interest of spouse	250,000,000			
Ms. Liu Ening ⁽²⁾	Beneficial owner	250,000,000			5.57%
	Interest of spouse			2,000,000	
Mr. Zhang Yiying	Beneficial owner	504,000		2,000,000	5.58%
	Interest of Controlled Corporation ⁽³⁾	250,000,000			
Mr. Jia Wenzeng	Beneficial owner		3,143,762	2,000,000	0.11%
Mr. Wu Desheng	Beneficial owner		3,143,762	2,000,000	0.11%
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 options and share awards; and (ii) the total number of 4,526,925,163 Shares in issue of the Company.
- (2) Mr. Wang Michael Zhiyu is the spouse of Ms. Liu Ening.
- (3) Universal Zone Limited, which is wholly owned by Mr. Zhang Yiyang, holds 250,000,000 Shares.

Save as disclosed above, as at 30 September 2020, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the Company as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 30 September 2020, 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	Number of underlying Shares pursuant to		Percentage of total issued Shares ⁽¹⁾
			share options	share awards	
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			16.38%
	Interest of spouse	711,646,600	24,700,990	4,000,000	
Universal Zone Limited	Beneficial owner	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 options and 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 September 2020, 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 OPTION SCHEME

On 28 July 2010, the Company, by a shareholders' resolution, conditionally adopted a new share option scheme (the "Share Option Scheme") for a period of ten years from the date on which the Share Option Scheme became unconditional. On 7 August 2010, the Share Option Scheme became unconditional and effective. Pursuant to the Share Option Scheme, 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 Scheme, to subscribe for shares in the Company under the terms of the Share Option Scheme.

As at 30 September 2020, options to subscribe for an aggregate of 322,945,235 shares were outstanding (including the directors and chief executive of the Company). Details of which as at 30 September 2020 were as follows:

Name	Date of grant of share options	As at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	As at 30 September 2020	Vesting period of share options	Exercise period of share options	Exercise price per share HK\$
<u>Directors</u>									
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
<u>Employees</u>									
	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>163,237,616</u>	<u>322,945,235</u>			

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.

Since the Adoption Date and up to 30 September 2020, a total of 124,000,000 awarded shares had been awarded under the Share Award Scheme. The vesting of the awarded shares is subject to the conditions as set out in the Share Award Scheme and the fulfillment of such conditions as specified by the Board.

During the nine months ended 30 September 2020, 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 2020	Granted during the period	Vested during the period	Lapsed during the period	As at 30 September 2020
Directors							
Mr. Xu Shengheng	7 July 2020	31 December 2020	–	4,000,000	–	–	4,000,000
Ms. Chan Wai Kay	7 July 2020	31 December 2020	–	4,000,000	–	–	4,000,000
Katherine							
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 Yiyang	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
		31 December 2020					
Employees	7 July 2020	31 December 2020	–	58,000,000	–	–	58,000,000
Consultants	7 July 2020	31 December 2020	–	30,000,000	–	–	30,000,000
	16 September 2020	31 December 2020	–	4,000,000	–	–	4,000,000

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.

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.

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 135,000,000 shares of the Company, representing approximately 2.98% of the issued share capital of the Company, at a consideration of approximately HK\$7,676,000 during the nine months ended 30 September 2020.

As at the date of this announcement, the Board comprises, Mr. Xu Shengheng, Ms. Wang Yan, Ms. Chan Wai Kay, Katherine, Mr. Wang Manquan, Ms. Hao Xia and Mr. Dai Qi as executive Directors, Mr. Yang Wei, Mr. Zhang Yiyi and Mr. Wang Michael Zhiyu (Ms. Liu Ening being his alternate Director) 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
Joint Chairman & Executive Director

Hong Kong, 10 November 2020

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.