



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

(Formerly known as IIN International Limited 國訊國際有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2008

Characteristics of the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

The GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on the GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on the GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on the GEM, there is a risk that securities traded on the GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on the GEM.

The principal means of information dissemination on the GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on the GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims 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 Ground Source Energy Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to China Ground Source Energy Limited. The directors of China Ground Source Energy Limited, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this result misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purpose only

The board of directors (“Directors”) of China Ground Source Energy Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 30 September 2008, together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 30 September 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	5	235,037	117,647
Cost of sales		<u>(156,482)</u>	<u>(94,293)</u>
Gross profit		78,555	23,354
Other revenue and income	7	26,229	10,537
Selling and distribution costs		(10,477)	(4,441)
Administrative expenses		(48,338)	(14,308)
Other operating expenses		<u>(10,467)</u>	<u>(8,032)</u>
Profit from operations	8	35,502	7,110
Share of results of a jointly controlled entity		(321)	–
Share of results of associates		(83)	–
Finance costs	9	<u>(24,733)</u>	<u>(2,690)</u>
Profit before tax		10,365	4,420
Income tax credit/(expense)	10	<u>455</u>	<u>(1,153)</u>
Profit for the year		<u>10,820</u>	<u>3,267</u>
Attributable to:			
Equity holders of the Company		9,170	2,594
Minority interests		<u>1,650</u>	<u>673</u>
Profit for the year		<u>10,820</u>	<u>3,267</u>
Earnings per share attributable to equity holders of the Company during the year			
Basic	11	<u>HK\$0.20 cents</u>	<u>HK\$0.13 cents</u>
Diluted	11	<u>HK\$0.20 cents</u>	<u>HK\$0.13 cents</u>

CONSOLIDATED BALANCE SHEET

As at 30 September 2008

	Notes	2008 HK\$'000	2007 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		70,833	17,373
Prepaid land lease payments		3,733	3,498
Intangible assets		5,074	–
Interest in a jointly controlled entity		9,774	–
Interests in associates		36,365	–
Goodwill		906,862	1,269
Available-for-sale investments		489	–
		<u>1,033,130</u>	<u>22,140</u>
Current assets			
Inventories		92,174	4,776
Held-for-trading financial assets		14,502	38,500
Trade and retention receivables	12	101,369	36,910
Amounts due from customers for contract works		88,596	–
Prepayments, deposits and other receivables		100,895	33,940
Amount due from a minority shareholder		2,559	–
Amount due from an associate		609	–
Pledged deposits		–	790
Cash and cash equivalents		120,041	91,400
		<u>520,745</u>	<u>206,316</u>
Current liabilities			
Trade and bills payables	13	66,116	13,039
Amounts due to customers for contract works		18,304	–
Accrued liabilities, deposits received and other payables		98,206	31,183
Interest-bearing bank and other loans		36,344	31,793
Amount due to a minority shareholder		21,968	–
Amount due to an associate		89,766	–
Amounts due to directors		–	334
Tax payable		5,745	5,214
		<u>336,449</u>	<u>81,563</u>
Net current assets		<u>184,296</u>	<u>124,753</u>
Total assets less current liabilities		<u>1,217,426</u>	<u>146,893</u>
Non-current liabilities			
Convertible notes		231,723	–
Deferred tax liabilities		21,826	–
Deferred income		9,989	–
		<u>263,538</u>	<u>–</u>
Net assets		<u><u>953,888</u></u>	<u><u>146,893</u></u>

	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		440,935	230,667
Reserves		457,610	(99,899)
		898,545	130,768
Minority interests		55,343	16,125
Total equity		953,888	146,893

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company										
	Issued share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Convertible notes reserve <i>HK\$'000</i>	Asset revaluation reserve <i>HK\$'000</i>	Share-based payment reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Sub- total <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 October 2006	126,989	54,964	4	-	766	-	(17)	(204,631)	(21,925)	10,195	(11,730)
Surplus arising from revaluation of leasehold buildings	-	-	-	-	852	-	-	-	852	819	1,671
Share-based payment expenses	-	-	-	-	-	779	-	-	779	-	779
Currency translation	-	-	-	-	-	-	(1,067)	-	(1,067)	-	(1,067)
Net income and expenses recognised directly in equity	-	-	-	-	852	779	(1,067)	-	564	819	1,383
Net profit for the year	-	-	-	-	-	-	-	2,594	2,594	673	3,267
Total recognised income and expenses for the year	-	-	-	-	852	779	(1,067)	2,594	3,158	1,492	4,650
Placing of new shares	103,678	47,535	-	-	-	-	-	-	151,213	-	151,213
Cost of placing of shares	-	(1,678)	-	-	-	-	-	-	(1,678)	-	(1,678)
Acquisition of additional share of a subsidiary	-	-	-	-	-	-	-	-	-	129	129
Capital increase in a subsidiary	-	-	-	-	-	-	-	-	-	4,309	4,309
As at 30 September 2007 and 1 October 2007	230,667	100,821	4	-	1,618	779	(1,084)	(202,037)	130,768	16,125	146,893
Deficits arising from revaluation of leasehold buildings	-	-	-	-	(297)	-	-	-	(297)	(285)	(582)
Currency translation	-	-	-	-	-	-	8,072	-	8,072	1,103	9,175
Net income and expenses recognised directly in equity	-	-	-	-	(297)	-	8,072	-	7,775	818	8,593
Net profit for the year	-	-	-	-	-	-	-	9,170	9,170	1,650	10,820
Total recognised income and expenses for the year	-	-	-	-	(297)	-	8,072	9,170	16,945	2,468	19,413
Issuance of shares for acquisition of subsidiaries	117,000	233,000	-	-	-	-	-	-	350,000	-	350,000
Exercise of share options	390	360	-	-	-	-	-	-	750	-	750
Placing of new shares	92,878	184,490	-	-	-	-	-	-	277,368	-	277,368
Cost of placing of new shares	-	(2,041)	-	-	-	-	-	-	(2,041)	-	(2,041)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	33,341	33,341
Release of translation reserve on disposal/ winding up of subsidiaries	-	-	-	-	-	-	1,075	-	1,075	-	1,075
Incorporation of subsidiaries	-	-	-	-	-	-	-	-	-	3,409	3,409
Issuance of convertible notes	-	-	-	148,120	-	-	-	-	148,120	-	148,120
Deferred tax	-	-	-	(24,440)	-	-	-	-	(24,440)	-	(24,440)
As at 30 September 2008	<u>440,935</u>	<u>516,630</u>	<u>4</u>	<u>123,680</u>	<u>1,321</u>	<u>779</u>	<u>8,063</u>	<u>(192,867)</u>	<u>898,545</u>	<u>55,343</u>	<u>953,888</u>

Notes:

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 December 1999 as an exempted company with limited liability under the Company Law (1998 Revision) of the Cayman Islands. The address of its registered office is Huntlaw Building, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The Company's principal place of business in Hong Kong is Room 1303, York House, The Landmark, 15 Queen's Road Central, Central, Hong Kong. The Company's shares are listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations, which are effective for the Group's financial year beginning on 1 October 2007. A summary of the new and revised HKFRSs adopted by the Group is set out as follows:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

In addition, the Group has applied, for the first time, amendments to Hong Kong Accounting Standard 39 "Financial Instruments: Recognition and Measurement" and Hong Kong Financial Reporting Standard 7 "Financial Instruments: Disclosures", which were issued on 15 October 2008, and effective from 1 July 2008.

The adoption of these new HKFRSs has no significant impact on the Group's results and financial position for the current or prior accounting periods.

3. ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 12	Service Concession Arrangements ³
HK(IFRIC) – Int 13	Customer Loyalty Programmes ⁴
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁵
HKFRSs (Amendment)	Improvements to HKFRSs ⁶

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 January 2008

⁴ Effective for annual periods beginning on or after 1 July 2008

⁵ Effective for annual periods beginning on or after 1 October 2008

⁶ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, which is effective for annual periods beginning on or after 1 July 2009

The directors of the Group has commenced their assessment of the impact of the above new and revised HKFRSs but it is not yet in a position to state whether these new and revised HKFRSs would have a material impact on the results and the financial position of the Group.

4. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (“Ints”) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost convention, as modified for the revaluation of certain financial instruments and leasehold buildings which are stated at their fair values.

Certain comparative figures have been reclassified to conform with the current year’s presentation.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies.

5. TURNOVER

Turnover represents the net amounts received and receivables from goods sold to customers, after allowances for returns and trade discounts where applicable and services rendered. All significant intra-group transactions have been eliminated on consolidation.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Sales of communication cables and optical cables	95,853	106,369
Sales and installation of shallow ground energy utilisation system	73,405	–
Maintenance services for shallow ground energy utilisation system	2,690	–
Fair value changes on held-for-trading financial assets	34,263	11,278
Sewage and marsh gas treatment income	28,826	–
	<u>235,037</u>	<u>117,647</u>

6. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers product and services which are subject to risks and returns that are different from those of the other business segments.

The Group comprises the following business segments:

- (a) Transmission segment – manufacturing and sales of communication cables and optical cables;
- (b) Shallow ground energy segment – provision, installation and maintenance of shallow ground energy utilisation system;
- (c) Environmental protection segment – synthetic utilisation of marsh gas, disposal and handling of solid garbage, solid dangerous rejectamenta, sewage and waste water and utilisation of new energy sources;
- (d) Securities investments and trading segment – trading of investment securities; and
- (e) Corporate and others segment – provision and sales of telecommunications network infrastructure solutions and network management solutions.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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) **Business segments**

The following tables present revenue, results, certain assets, liabilities and other information for the Group's business segments.

Consolidated income statement

	Transmission		Shallow ground energy		Environmental protection		Securities investments and trading		Corporate and others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover:												
Sales to external customers	<u>95,853</u>	<u>106,369</u>	<u>76,095</u>	<u>-</u>	<u>28,826</u>	<u>-</u>	<u>34,263</u>	<u>11,278</u>	<u>-</u>	<u>-</u>	<u>235,037</u>	<u>117,647</u>
Segment results	<u>10</u>	<u>726</u>	<u>5,825</u>	<u>-</u>	<u>6,250</u>	<u>-</u>	<u>33,735</u>	<u>7,887</u>	<u>(3,194)</u>	<u>(11,261)</u>	<u>42,626</u>	<u>(2,648)</u>
Unallocated other revenue and income											<u>3,799</u>	<u>10,537</u>
Unallocated expenses											<u>(10,923)</u>	<u>(779)</u>
Profit from operating activities											<u>35,502</u>	<u>7,110</u>
Share of results of a jointly controlled entity	-	-	(321)	-	-	-	-	-	-	-	(321)	-
Share of results of associates	-	-	(83)	-	-	-	-	-	-	-	(83)	-
Finance costs											<u>(24,733)</u>	<u>(2,690)</u>
Profit before tax											<u>10,365</u>	<u>4,420</u>
Income tax credit/(expense)											<u>455</u>	<u>(1,153)</u>
Profit for the year											<u>10,820</u>	<u>3,267</u>

Consolidated balance sheet

	Transmission		Shallow ground energy		Environmental protection		Securities investments and trading		Corporate and others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	<u>70,035</u>	<u>77,907</u>	<u>411,355</u>	<u>-</u>	<u>56,823</u>	<u>-</u>	<u>14,502</u>	<u>38,985</u>	<u>6,770</u>	<u>11,631</u>	<u>559,485</u>	<u>128,523</u>
Unallocated assets											<u>994,390</u>	<u>99,933</u>
Total assets											<u>1,553,875</u>	<u>228,456</u>
Segment liabilities	<u>56,916</u>	<u>12,191</u>	<u>261,963</u>	<u>-</u>	<u>32,941</u>	<u>-</u>	<u>-</u>	<u>3,390</u>	<u>7,341</u>	<u>21,209</u>	<u>359,161</u>	<u>36,790</u>
Unallocated liabilities											<u>240,826</u>	<u>44,773</u>
Total liabilities											<u>599,987</u>	<u>81,563</u>

Other segment information

	Transmission		Shallow ground energy		Environmental protection		Securities investments and trading		Corporate and others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,918	1,676	1,049	-	1,687	-	-	-	837	509	5,491	2,185
Write-off of property, plant and equipment	102	-	-	-	-	-	-	-	-	496	102	496
Amortisation of prepaid land lease payments	85	78	-	-	-	-	-	-	-	-	85	78
Provision of allowance for doubtful debts	-	2,095	7,183	-	-	-	-	-	-	314	7,183	2,409
Reversal of allowance for doubtful debts	(1,307)	(1,375)	-	-	-	-	-	-	-	(134)	(1,307)	(1,509)
Reversal of bad debts written off	-	-	(14,804)	-	-	-	-	-	-	-	(14,804)	-
Allowance for obsolete inventories	-	431	-	-	-	-	-	-	-	-	-	431
Write-off of club membership	-	-	-	-	-	-	-	-	-	379	-	379
Share-based payment expenses	-	-	-	-	-	-	-	-	-	779	-	779
(Deficits)/surplus arising from revaluation of leasehold buildings - recognised directly in equity	(582)	1,671	-	-	-	-	-	-	-	-	(582)	1,671
Capital expenditure	2,262	2,296	9,070	-	6,279	-	-	-	4,763	2,574	22,374	4,870
Impairment of goodwill	-	-	-	-	-	-	-	-	1,269	-	1,269	-

(b) Geographical segments

Over 90% of the Group's revenue, assets and liabilities are derived from customers based in the PRC for the year ended 30 September 2008 and 2007 and accordingly, no further detailed analysis of the Group's geographical segments is disclosed.

7. OTHER REVENUE AND INCOME

	2008	2007
	HK\$'000	HK\$'000
Other revenue:		
Bank interest income	2,259	905
Forfeiture of customer deposits	3,349	-
Government grants	934	3,071
Dividend income	892	-
Others	711	-
	<u>8,145</u>	<u>3,976</u>
Other income:		
Reversal of allowance for doubtful debts	1,307	1,509
Reversal of bad debts written off	14,804	-
Gain on winding up of subsidiaries	1,027	-
Gain on disposal of a subsidiary	946	-
Provision for penalty written back	-	5,052
	<u>18,084</u>	<u>6,561</u>
	<u>26,229</u>	<u>10,537</u>

8. PROFIT FROM OPERATIONS

The Group's profit from operations is arrived at after charging:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Cost of inventories sold and services provided	156,482	94,293
Depreciation of property, plant and equipment	5,491	2,185
Amortisation of prepaid land lease payments	85	78
Minimum lease payments under operating leases in respect of land and buildings	5,068	141
Auditors' remuneration	1,000	350
Staff costs (including directors' emoluments)		
– Wages and salaries	20,879	6,021
– Pension scheme contributions	104	12
Provision of allowance for doubtful debts (<i>note</i>)	7,183	2,409
Impairment of goodwill	1,269	–
Allowance for obsolete inventories (<i>note</i>)	–	431
Write-off of property, plant and equipment (<i>note</i>)	102	496
Write-off of club membership (<i>note</i>)	–	379
Share-based payment expenses (<i>note</i>)	–	779
	<u>156,482</u>	<u>94,293</u>

Note: Included in "Other operating expenses" on the face of the consolidated income statement.

9. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interests on bank loans wholly repayable within five years	6,396	1,596
Interests on other loans wholly repayable within five years	2,494	1,094
Imputed interests on convertible notes	15,843	–
	<u>24,733</u>	<u>2,690</u>

10. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has not been provided as the Group had no assessable profits arising in Hong Kong during the year (2007: Nil). Taxes on profit assessable elsewhere have been calculated at the applicable rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof during both years.

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax		
Charge for the year – the PRC	(2,159)	(1,153)
Deferred tax	<u>2,614</u>	<u>–</u>
	<u>455</u>	<u>(1,153)</u>

On 16 March 2007, the People's Republic of China promulgated the Law of the People's Republic of China on Enterprise Income Tax by Order No. 63 of the President of the People's Republic of China, which will change the tax rate from 33% to 25% for certain subsidiaries of the Group from 1 January 2008. The standard Hong Kong Profits Tax rate is 16.5% for the year ended 30 September 2008 (2007: 17.5%).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the Company of HK\$9,170,000 (2007: HK\$2,594,000) and the weighted average number of ordinary shares of 4,682,687,000 (2007: 1,922,212,000) in issue during the year.

Diluted earnings per share for the years ended 30 September 2008 and 2007 are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

	Earnings	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	<u>9,170</u>	<u>2,594</u>

	Number of ordinary shares	
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	4,682,687	1,922,212
Effect of dilutive potential ordinary shares: – share options	<u>3,789</u>	<u>3,335</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,686,476</u>	<u>1,925,547</u>

12. TRADE AND RETENTION RECEIVABLES

An aged analysis of the Group's trade and retention receivables at the balance sheet dates is as follows:

	2008	2007
	HK\$'000	HK\$'000
0 – 90 days	33,943	26,265
91 – 180 days	28,358	10,117
181 – 365 days	22,678	2,326
Over 365 days	<u>33,670</u>	<u>9,606</u>
	118,649	48,314
Allowance for doubtful debts	<u>(17,280)</u>	<u>(11,404)</u>
	<u>101,369</u>	<u>36,910</u>

Notes:

- i. The credit terms granted to the Group's customers vary and are generally the results of negotiations between the Group and individual customers. The Group has no significant concentrations of credit risk, with exposure spreads over a large number of customers. The trade receivables are generally on 30 to 180 day credit terms.
- ii. Included in the trade and retention receivables balances are debtors with an aggregate carrying amount of approximately HK\$39,068,000 (2007: HK\$528,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The aging of trade and retention receivables which are past due but not impaired is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
90 – 180 days	–	–
181 – 365 days	22,678	528
Over 365 days	16,390	–
	<u>39,068</u>	<u>528</u>

iii. The movement of the allowance for doubtful debts was as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
As at the beginning of the year	11,404	10,504
Provision of allowance for doubtful debts	7,183	2,409
Reversal of allowance for doubtful debts	(1,307)	(1,509)
	<u>17,280</u>	<u>11,404</u>

13. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables at the balance sheet dates is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 90 days	18,590	2,732
91 – 180 days	16,483	2,892
181 – 365 days	14,110	641
Over 365 days	16,933	6,774
	<u>66,116</u>	<u>13,039</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Turnover consists primarily of revenue from sales of shallow ground energy utilisation system and installation services, provision of services in relation to environmental protection, manufacturing and marketing of communication cables and optical cables and securities investments and trading.

The turnover of the Group for the financial year ended 30 September 2008 increased by 99.8% from 2007, due to sales generated from the newly acquired environmental protection business and shallow ground energy utilisation business.

The Group recorded a net profit attributable to equity holders of approximately HK\$9.2 million versus of approximately HK\$2.6 million of last year.

Gross Profit Margin

The gross profit margin for 2008 was 33.4% compared to 19.9% in 2007. The increase was due to the consolidation of the two segments of shallow ground energy utilisation and environmental protection during the fiscal year with different business cost structure.

Other Revenue and Income

Total other revenue and income increased by HK\$15.7 million to HK\$26.2 million during 2008 as compared to HK\$10.5 million in 2007, primarily due to reversal of allowance for doubtful debts.

Selling & Distribution Costs and Administrative Expenses (“SD&A”)

Expenditures for SD&A increased by HK\$40.1 million or 213.7% to HK\$58.8 million in 2008 compared to 2007. These increases were primarily due to increase in the number of employees as well as corporate activities related to the growth of the Group since the acquisition of Shenzhen Lidesui Huanbao Jishu Company Limited (“Lidesui”), Shenzhen Lisai Gardens Luhua Company Limited (“Lisai Gardens”) and Beijing Enterprises Ever Source Limited (“BEES”). There was also increased professional costs of audit and legal services relating to the acquisition and share placement activities.

Segmental Information

The Company reportable operating segment consists of shallow ground energy utilisation segment, environmental protection segment, transmission segment and securities investments and trading segment.

Further information regarding the Company’s operating segments may be referred to Note 6, “Segment Information” to this announcement.

Financial Resources and Liquidity

As at 30 September 2008, the Group had net current assets of HK\$184.3 million of which HK\$520.7 million was cash and short-term assets, increased by 47.7% compared to the 30 September 2007 net current assets of HK\$124.8 million. The principal components of this net increase were cash generated from operating activities of HK\$186.3 million. These increases were partially offset by payments for acquisition of property, plant and equipment of HK\$22.4 million and payments made in connection with business acquisitions, net of cash required, of HK\$242.7 million.

The Company believes its existing balances of cash, cash equivalents and short-term assets will be sufficient to satisfy its working capital needs, capital expenditure, outstanding commitments and other liquidity requirements associated with its existing operation over the next 12 months.

Exposure to fluctuations in exchange rates

Most of the trading transactions and cost incurred in the Group are principally denominated in Hong Kong dollars and Renminbi.

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

As at 30 September 2008, the Group had no foreign exchange contracts.

Gearing ratio

The gearing ratio of the Group, based on total borrowings (including interest-bearing bank and other loans and convertible notes) to the equity (including all capital and reserves) of the Group, increased to 30% for the period under review (2007: 24%).

Employees

As at 30 September 2008, the Company has had approximately 600 employees. The staff costs including directors' emoluments increased to HK\$21.0 million for the period under review due to consolidation of new businesses.

Share option schemes

At present, the Group has a share option plan, whereby directors and employees of the Group may be granted stock options for subscription of shares of the Company. Details of the share option plan are set out in the section under "Share Option Schemes" of this announcement.

Contingent liabilities

As at the date of this announcement, the Directors have had no knowledge of any material contingent liabilities.

Dividend

The Board of Directors do not recommend the payment of a final dividend for the year under review (2007: Nil).

Capital Structure

During the year under review, movement of share capital of the Company was as follows:

On 9 October 2007, the Company completed a share placement to place an aggregate of 390,752,000 shares at the price of HK\$0.198 per placing share.

On 7 November 2007, the Company issued a total of 500,000,000 new shares at an issue price of HK\$0.40 per share, being part of the consideration of the acquisition, details of which can be referred to the Company's circular dated 3 October 2007.

On 31 March 2008, the Company issued a total of 1,000,000,000 new shares at an issue price of HK\$0.30 per share, being part of the consideration of the acquisition, details of which can be referred to the Company's circular dated 29 February 2008.

On 31 March 2008, the Company completed a share placement to place an aggregate of 800,000,000 shares at the price of HK\$0.25 per placing share, details of which can be referred to the Company's circular dated 29 February 2008.

During the year ended 30 September 2008, 5,000,000 share options were exercised at HK\$0.15 per share.

As at 30 September 2008, 5,653,112,470 shares of the Company were issued and fully paid.

Future plans for substantial investments or capital assets

As at the date of this announcement, the Group did not have any plans for substantial investments or capital assets.

Major acquisition and disposals

During the year ended 30 September 2008, II Networks International Limited, a wholly owned subsidiary of the Company, executed the following transactions:

- acquiring entire interests in Lidesui and Lisai Gardens at an aggregate consideration of HK\$440 million. Details of the acquisition are set out in the Company's circular dated 3 October 2007 and this transaction was completed on 7 November 2007.
- acquiring entire interests in BEES at an aggregate consideration of HK\$704 million. Details of the acquisition are set out in the Company's circular dated 29 February 2008 and this transaction was completed on 31 March 2008.

BUSINESS REVIEW AND OUTLOOK

Environmental Protection

Environmental protection business which the Group operates mainly through Shenzhen Lisai Industrial Development Co., Ltd. ("Shenzhen Lisai"), a subsidiary 100% jointly owned by Lidesui and Lisai Gardens. Currently, Shenzhen Lisai's turnover is mainly derived from the registered clean development mechanism ("CDM") project and the Guanlan River sewage treatment project. During the year, all existing projects were operating according to the schedule at the beginning of the year, and the new projects were progressing vigorously as well.

During the year under review, carbon dioxide emission reduction for the Xiaping landfill CDM project had been certified, and prepayments had been obtained from the clients. Shenzhen Lisai is aggressively making coordination for the Xiaping Landfill site project and enhancing the controllability of the collection system. In another move, Shenzhen Lisai is stepping up its investment efforts by adopting measures such as opening up more gas wells so as to increase the amount of collected landfill gas as much as possible. It is anticipated that CDM output will increase substantially within the next financial year as a result of the increase in the amount of landfill gas.

Meanwhile, the combustibles purification landfill gas project ("CPLG Project") will commence production in a timely manner when the amount of gas from the Xiaping landfill site meets CDM production schedule. It is believed that the CPLG Project will generate substantial revenue as well with the municipal government's efforts to enhance the promotion and popularity of clean fuel, and the rising prices of energy.

The Guanlan River sewage treatment project is operating steadily. Despite the suspended production for nearly one month due to rainstorms during the third quarter, the Company has tried to mitigate the adverse effect with the efforts at all levels of the Company so that the output for the whole year yet reached last year's level.

The ash treatment project for the incineration of household garbage in Shenzhen city ("ash treatment project") was debugged and put into trial operation upon completion in September 2008. The project is now operating smoothly on a trial basis. The Company is filing an application for an operational qualification pursuant to the relevant national regulations. The project is expected to achieve mass production in the next financial year, becoming a new business growth point of the Company.

Shallow Ground Energy Utilization

Shallow ground energy utilization is the principal business of BEES. By employing its patented core technology – "single well circulation" central liquid cooling/heating source environmental system (單井抽灌式中央液態冷熱源環境系統), BEES provides heating and cooling for buildings and heating of domestic water with shallow ground energy collected by the system. This acquisition was completed on 31 March 2008.

Given shallow ground energy as a renewable energy, BEES has secured tremendous support and approval from the Chinese government and succeeded in utilizing ground energy in different buildings as a stable supply of heating. Upon completion of the acquisition, BEES witnessed satisfactory business development largely because the company, being a ground source energy collection and utilization system designer and developer, has been able to integrate the investment, construction and energy conservation operations of ground source energy as an alternative energy for heating and cooling which further enhance its profitability. In addition, BEES also benefits from the implementation of the PRC Renewable Energy Law and the 11th Five-Year Plan as well as the introduction of a series of development policies in support of energy conservation and emissions reduction.

As the pace of urbanization and new rural construction projects in China accelerates, the increased consumption of conventional energy for heating in buildings has created a growing impact on the environment. BEES's utilization of shallow ground energy as an alternative energy for heating and cooling can minimize the reliance upon the consumption of coal for conventional power generation which, in turn, will achieve energy conservation and environmental protection. As such, shallow ground energy, a green, environmental friendly energy product, will hold enormous market potential. BEES believes that the demand for ground source energy utilization system, which operates at costs equivalent to the initial costs of conventional energy to provide ground source energy as an alternative energy for heating, will enter a period of fast growth.

Seeing the increased market demand for proprietary technology, BEES will aim to enhance its technology and expand the area of technology applications. BEES expects that the operating income from the enhanced technology services will become its another profit growth point.

Transmission

The Group's transmission business is operated by Wujiang Shengxin Optoelectronics Technology Co., Ltd. During the year, turnover from this business slightly decreased as compared with last year mainly attributable to a slowdown in market demand as a result of the restructuring of the telecommunications industry, compounded by a further decline in relevant investments following the opening of the Olympic Games in China. In addition, the gross profit margin of the business fell as compared with last year due to rising operational costs and some changes in the taxation preferential policy. The Group anticipates that the intensifying competition in the telecommunications sector will continue to exert pressure on the turnover and gross profit margin of the business. This exactly explains why the Group has been making ongoing efforts to identify new business opportunities for broadening its business base.

Securities Investment

As part of its treasury management to obtain better return from the surplus cash, the Group will conduct securities investment and trading in a more conservative and safe manner.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 September 2008, 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 position in shares and equity derivatives

Name of director	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity		Approximate percentage of the interests	Interests in options	Aggregate interests	Approximate percentage of the aggregate interests
	Interests in shares	Capacity				
Mr. Wu Shu Min (<i>Note 1</i>)	146,023,000	Beneficial owner	2.58%	13,000,000	159,023,000	2.81%
Mr. Xu Zhi Feng (<i>Note 2</i>)	4,376,000	Beneficial owner	0.08%	1,000,000	5,376,000	0.10%

Notes:

1. Mr. Wu Shu Min is interested in 146,023,000 shares and 13,000,000 shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to the section of “Share Option Schemes” of this announcement.
2. Mr. Xu Zhi Feng is interested in 4,376,000 shares and 1,000,000 shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to the section of “Share Option Schemes” of this announcement.

Save as disclosed above, as at 30 September 2008, none of the directors and chief executive of the Company or their associates had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests and short position which they were taken or deemed to have taken under such provisions of the SFO), or which were 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.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section of “Share Option Schemes” below, at no time during the year there were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

The principal purpose of the share option schemes of the Company is to recognize the significant contributions of the directors and employees of the Group to its growth, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give incentive to these persons to continue to contribute to the Group’s long term success and prosperity. The Company has a share option plan adopted on 7 January 2000 and a share option plan adopted on 22 November 2001.

(a) Pre-IPO Share Option Plan

On 7 January 2000, the Company adopted an employee share option plan (the “Pre-IPO Share Option Plan”). Upon listing of the shares of the Company on GEM on 30 November 2001, no further option was granted under the Pre-IPO Share Option Plan. The Pre-IPO Share Option Plan was valid and effective for a period not exceeding eight years commencing from 7 January 2000. As at 30 September 2008, the Pre-IPO Share Option Plan was expired and no longer existed.

The following is the movement of share options under the Pre-IPO Share Option Plan during the year:

	Number of share options outstanding under the Pre-IPO Share Option Plan										Date of grant	Exercise period	Adjusted exercise price HK\$ (note)
	Outstanding as at 1 October 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 September 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 September 2008	Exercisable as at 30 September 2008			
Directors													
Mr. Wu Shu Min	5,000,000	-	-	-	5,000,000	-	(5,000,000)	-	-	-	07-01-2000 to 06-01-2008	0.150	
	10,000,000	-	-	-	10,000,000	-	(10,000,000)	-	-	-	26-02-2000 to 25-02-2008	0.150	
	15,000,000	-	-	-	15,000,000	-	(5,000,000)	(10,000,000)	-	-			

Note:

- The exercise price per share was adjusted for the consolidation and capitalization issue of the Company's shares on 22 November 2001, as well as conversion from US\$ to HK\$.

(b) Share Option Plan

On 22 November 2001, the Company adopted a share option scheme (the "Share Option Plan") conditionally upon the listing of the Company's shares on the GEM of the Stock Exchange on 30 November 2001. The Share Option Plan became valid and effective on 30 November 2001 and, unless otherwise cancelled or amended, will remain in force for a period of ten years commencing from the date of adoption.

Under the Share Option Plan, the grantees may include (i) any fully-time employee, director (including non-executive director and independent non-executive director) and part-time employee with weekly working hours of 15 hours and above of the Company and any of its subsidiaries; (ii) any advisor or consultant (in the areas of technical, financial or corporate managerial) to the Company or any of its subsidiaries; and (iii) any other person who, at the sole determination of the board of directors, has contributed to the Group based on certain assessment criteria. No option may be granted to any one person which if exercised in full would result in the total number of shares of the Company already issued and issuable to him under all the options previously granted to him and the said option exceeding one percent of the number of the shares of the Company in issue in any 12-month period up to the date of grant. Any further grant of options in excess of the one percent limit must be subject to shareholders' approval, with that participant and his associates abstaining from voting.

The maximum number of shares in respect of which options may be granted under the Share Option Plan and any other share option scheme of the Company is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time, excluding for this purpose shares issued upon the exercise of options granted under the Share Option Plan or any other share option scheme. At 30 September 2008, the number of shares issuable under share options granted under the Share Option Plan was 27,300,000, which represented approximately 0.5% of the Company's shares in issue as at that date.

The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Plan and any other schemes must not exceed 30% of the shares of the Company from time to time.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of director, and commences on any date after the date of grant and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Share Option Plan, if earlier.

The exercise price of share options is determined by the board of director, but may not be less than the higher of (i) the closing price of the Company's shares on the GEM of the Stock Exchange on the date of grant of the option; (ii) the average of the closing prices of the Company's shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company.

The following share options were outstanding under the Share Option Plan during the year:

	Number of share options outstanding under the Share Option Plan										Date of grant	Exercise period	Exercise price HK\$
	Outstanding as at 1 October 2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 September 2007	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 September 2008	Exercisable as at 30 September 2008			
Directors													
Mr. Wu Shu Min	10,000,000	-	-	-	10,000,000	-	-	-	10,000,000	10,000,000	07-03-2002	07-03-2002 to 21-12-2011	0.465
	3,000,000	-	-	-	3,000,000	-	-	-	3,000,000	3,000,000	05-06-2003	05-06-2003 to 21-12-2011	0.078
Mr. Xu Zhi Feng	1,000,000	-	-	-	1,000,000	-	-	-	1,000,000	1,000,000	05-06-2003	05-06-2003 to 21-12-2011	0.078
	<u>14,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,000,000</u>	<u>14,000,000</u>			
Other employees													
In aggregate	800,000	-	-	-	800,000	-	-	-	800,000	800,000	01-03-2002	01-03-2002 to 21-12-2011	0.475
	3,600,000	-	(3,600,000)	-	-	-	-	-	-	-	05-06-2003	05-06-2003 to 21-12-2011	0.078
	-	12,500,000	-	-	12,500,000	-	-	-	12,500,000	12,500,000	29-05-2007	29-05-2007 to 21-12-2011	0.214
	<u>18,400,000</u>	<u>12,500,000</u>	<u>(3,600,000)</u>	<u>-</u>	<u>27,300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,300,000</u>	<u>27,300,000</u>			

At the balance sheet date, the Company had 27,300,000 share options outstanding under the Share Option Plan.

The exercise in full of the outstanding share options under the Share Option Plan would, under the present capital structure of the Company, result in the issue of 27,300,000 additional ordinary shares and cash proceeds to the Company of approximately HK\$8,017,000, before related issuing expense.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS DISCLOSEABLE UNDER SFO

So far as is notified to the directors of the Company, as at 30 September 2008, shareholders (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 provision 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

Name	Capacity	Interest in shares	Percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Percentage of aggregate interests
Lei Dong Ling (<i>Note 1</i>)	Interest of spouse	146,023,000	2.58%	13,000,000	159,023,000	2.81%
China Standard Limited (<i>Note 2</i>)	Beneficial owner	500,000,000	8.84%	400,000,000	900,000,000	15.92%
Financial International Holdings Ltd. (<i>Note 3</i>)	Beneficial owner	452,652,000	8.01%	–	452,652,000	8.01%
Cheung Kwan (<i>Note 3</i>)	Interest of controlled corporation	452,652,000	8.01%	–	452,652,000	8.01%
American International Group, Inc. (<i>Note 4</i>)	Investment manager	400,000,000	7.08%	–	400,000,000	7.08%
Value Partners Limited (<i>Note 5</i>)	Investment manager	395,624,000	6.99%	–	395,624,000	6.99%
Value Partners Group Limited (<i>Note 5</i>)	Interest of controlled corporation	395,624,000	6.99%	–	395,624,000	6.99%
Cheah Capital Management Ltd. (<i>Note 5</i>)	Interest of controlled corporation	395,624,000	6.99%	–	395,624,000	6.99%

Name	Capacity	Interest in shares	Percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Percentage of aggregate interests
Cheah Company Limited (Note 5)	Interest of controlled corporation	395,624,000	6.99%	–	395,624,000	6.99%
Hang Seng Bank Trustee International Ltd. (Note 5)	Trustee	395,624,000	6.99%	–	395,624,000	6.99%
Cheah Cheng Hye (Note 5)	Founder of a discretionary trust	395,624,000	6.99%	–	395,624,000	6.99%
To Hau Yin (Note 5)	Interest of spouse	395,624,000	6.99%	–	395,624,000	6.99%
Ever Sincere Investment Limited (Note 6)	Beneficial owner	1,000,000,000	17.69%	680,000,000	1,680,000,000	29.72%
Long Dynasty Holdings Ltd. (Note 7)	Interest of controlled corporation	1,000,000,000	17.69%	680,000,000	1,680,000,000	29.72%
Xu Shengheng (Note 7)	Interest of controlled corporation	1,000,000,000	17.69%	680,000,000	1,682,808,000	29.77%
	Interest of spouse	2,808,000	0.05%	–		
Luk Hoi Man (Note 7)	Beneficial owner	2,808,000	0.05%	–	1,682,808,000	29.77%
	Interest of spouse	1,000,000,000	17.69%	680,000,000		
Beijing Enterprises Group (BVI) Company Limited (Note 8)	Interest of controlled corporation	1,000,000,000	17.69%	–	1,000,000,000	17.69%
Beijing Enterprises Group Company Limited (Note 8)	Interest of controlled corporation	1,000,000,000	17.69%	–	1,000,000,000	17.69%
Beijing Enterprises Holdings Limited (Note 8)	Interest of controlled corporation	1,000,000,000	17.69%	–	1,000,000,000	17.69%
Beijing Enterprises Treasury Company Limited (Note 8)	Security interest	1,000,000,000	17.69%	–	1,000,000,000	17.69%

Notes:

1. Ms. Lei Dong Ling is the spouse of Mr. Wu Shu Min. Under SFO, Ms. Lei Dong Ling is deemed to be interested in 146,023,000 shares and 13,000,000 shares underlying share options in which Mr. Wu Shu Min is interested.
2. These are the consideration shares and conversion shares issuable upon the exercise of the conversion rights attached to the convertible notes issued to China Standard Limited pursuant to the acquisition, details of which can be referred to the Company's circular dated 3 October 2007.
3. Financial International Holdings Limited is wholly-owned by Cheung Kwan. Therefore, under SFO, Cheung Kwan is deemed to be interested in 452,652,000 shares of the Company.
4. Shares placed to certain funds, sub funds or accounts that AIG Global Investment Corporation (Asia) Limited ("AIG") is acting for as investment manager or investment advisor. AIG is wholly-owned by American International Assurance Company (Bermuda) Limited ("AIAC"), which in turn is wholly-owned by American International Reinsurance Company, Limited ("AIRC"), which in turn is wholly-owned by AIG Life Holding (International) LLC ("ALH"), which in turn is wholly-owned by American International Group, Inc. ("AIGI"). Under SFO, AIG, AIAC, AIRC, ALH and AIGI are deemed to be interested in the 400,000,000 shares of the Company.
5. Shares placed to certain funds, sub funds or accounts that Value Partners Limited ("VPL") is acting for as investment manager or investment advisor. VPL is wholly-owned by Value Partners Group Limited ("VPGL"), which in turn is 35.65% owned by Cheah Capital Management Limited ("CCML"), which in turn is wholly-owned by Cheah Company Limited ("CCL"), which in turn is wholly-owned by Hang Seng Bank Trustee International Ltd. ("HSBTRIL"), as trustee of The C H Cheah Family Trust, a discretionary trust. Therefore, under SFO, VPL, VPGL, CCML, CCL and HSBTRIL are deemed to be interested in 395,624,000 shares of the Company. Mr. Cheah Cheng Hye ("Mr. Cheah") is the founder of The C H Cheah Family Trust. Ms. To Hau Yin ("Ms. To") is the spouse of Mr. Cheah. Therefore, under SFO, Mr. Cheah and Ms. To are also deemed to be interested in 395,624,000 shares of the Company.
6. These are the consideration shares and conversion shares issuable upon the exercise of the conversion rights attached to the convertible notes which were issued to Ever Sincere Investment Limited ("Ever Sincere") pursuant to the acquisition, details of which can be referred to the Company's circular dated 29 February 2008.
7. Ever Sincere Investment Ltd. ("Ever Sincere") is 50% owned by Long Dynasty Holdings Ltd. ("Long Dynasty"), which in turn is 100% owned by Mr. Xu Shengheng ("Mr. Xu"). Ms. Luk Hoi Man ("Ms. Luk") is the spouse of Mr. Xu. Therefore, under SFO, Long Dynasty, Mr. Xu and Ms. Luk are deemed to be interested in 1,000,000,000 shares and 680,000,000 underlying shares issuable upon the exercise of the conversion rights attached to the convertible notes which were issued to Ever Sincere. In addition, Ms. Luk held 2,808,000 shares of the Company. Therefore, under SFO, Mr. Xu is also deemed to be interested in 2,808,000 shares of the Company.
8. Beijing Enterprises Treasury Company Limited ("BETCL") held 1,000,000,000 shares of the Company as security interests in shares. BETCL is wholly-owned by Beijing Enterprises Holdings Limited ("BEHL"), which in turn is 36.11% owned by Beijing Enterprises Group (BVI) Company Limited ("BEG BVI"), which in turn is wholly-owned by Beijing Enterprises Group Company Limited ("BEGCL"). Therefore, under SFO, BETCL, BEHL, BEG BVI and BEGCL are deemed to be interested in 1,000,000,000 shares of the Company.

Save as disclosed above, as at 30 September 2008, 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.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company had complied with most of the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the GEM Listing Rules throughout the year ended 30 September 2008, except that:

Under the Code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Certain period during the year ended 30 September 2008, the responsibilities of chairman and the chief executive officer of the Company were performed by Mr. Wu Shu Min and Mr. Fu Hui Zhong respectively. However, after the resignation of Mr. Fu Hui Zhong as chief executive officer of the Company on 30 April 2008, there was no replacement of chief executive officer made by the Company. Therefore, both the roles of chairman and chief executive officer have been performed by Mr. Wu Shu Min since 1 May 2008. As significant change on the Group’s structure following the acquisition of new businesses during the year, the Board will continue to carefully identify suitable candidate to fill the vacancy of chief executive officer.

Under the Code Provision A.4.1, all the non-executive directors should be appointed for a specific term, subject to re-election. At present, Mr. Lu Chuan, the non-executive Director, Mr. Zhang Lai and Ms. Cai Xin, the independent non-executive Directors have been appointed for a specific term of one year whereas Mr. Liu Yang, an independent non-executive Director who has already resigned on 17 December 2008 was not appointed for a specific term. However, all of them are subject to retirement by rotation and re-election in accordance with the Company’s Articles of Association. The Company will comply this Code Provision by making the new appointment to fill the vacancy of independent non-executive Director.

The Company does not establish a nomination committee at present. The appointment of new director(s) is therefore a matter for consideration and decision by the Board. In considering the nomination of a new director or where vacancies on the Board exist, the Board will take into account the skills, qualification, working experience, professional knowledge, leadership and personal integrity of the candidates.

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

The Company has an audit committee (the “Audit Committee”) established with written terms of reference in compliance with GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls of the Group and to provide advice to the directors of the Company. After the resignation of Mr. Liu Yang as a member of Audit Committee on 17 December 2008, the Audit Committee only comprises Ms. Cai Xin and Mr. Zhang Lai, independent non-executive directors of the Company. Since then, the Company has failed to comply with the minimum number of three members of the Audit Committee as required under Rule 5.28 of the GEM Listing Rules.

The Audit Committee has reviewed the Group’s audited annual results for the year ended 30 September 2008 and has provided advice and comments thereon. The Audit Committee held four meetings during the year.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not adopted its own code of conduct regarding securities transactions by directors, but having made specific enquiry of all directors, the Company reported that during the year, the directors have complied with the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and its code of conduct regarding securities transactions by directors.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the year.

As at the date of this announcement, the members of the Board comprise Mr. Wu Shu Min and Mr. Xu Zhi Feng as executive Directors, Mr. Lu Chuan as non-executive Director, Mr. Zhang Lai and Ms. Cai Xin as independent non-executive Directors.

By order of the board of
China Ground Source Energy Limited
Wu Shu Min
Chairman

Hong Kong, 19 December 2008

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.iini.com.