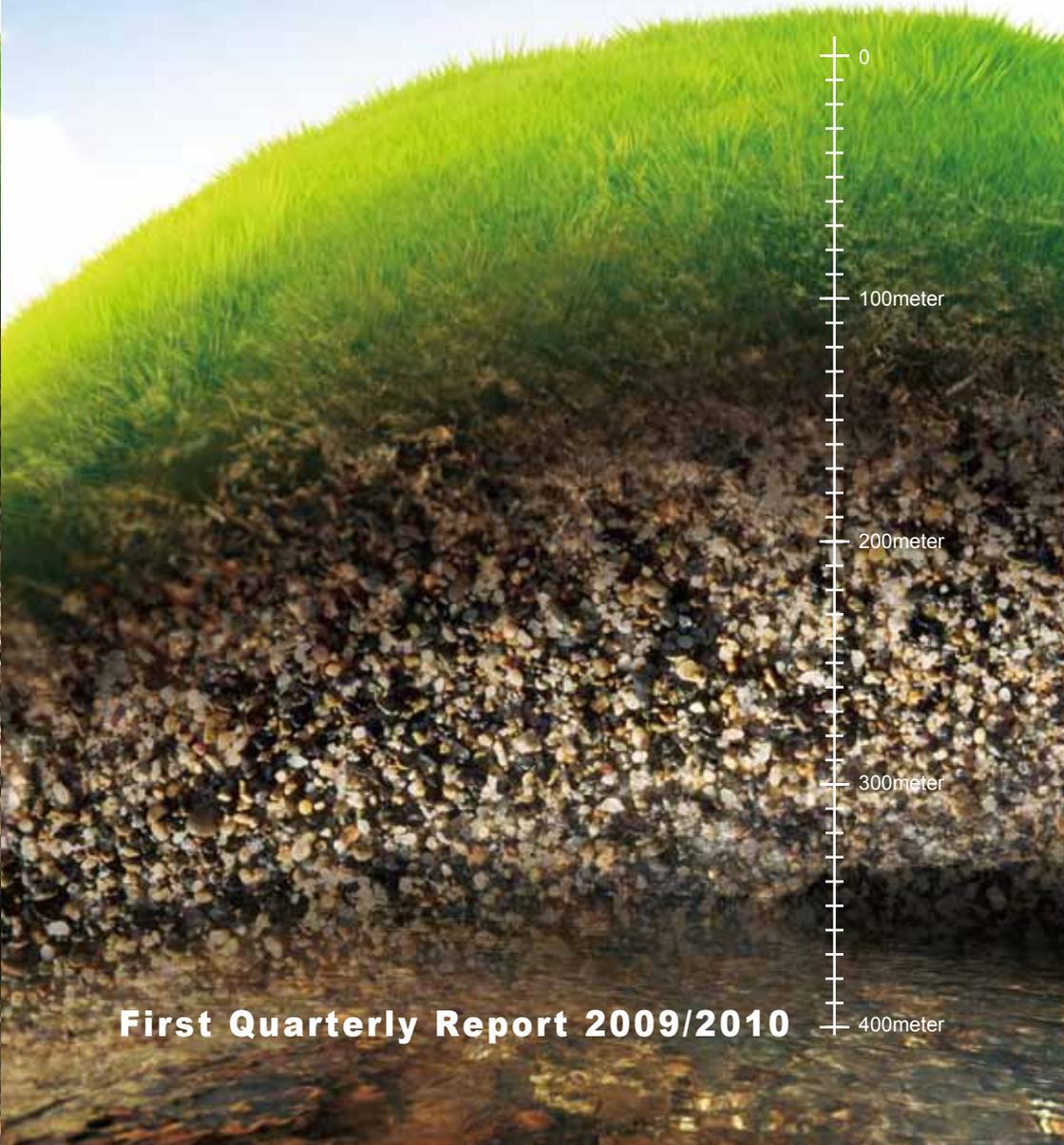


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CHINA GROUND SOURCE ENERGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8128



First Quarterly Report 2009/2010

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of **GEM** mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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This report, 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

Revenue recorded approximately HK\$131.0 million for the Review Period.

Profit attributable to equity holder of the Company for the Review Period amounted to approximately HK\$24.1 million.

No dividend was declared for the Review Period.

FINANCIAL REVIEW

China Ground Source Energy Ltd. (the “Company”) and its subsidiaries (the “Group”) completed the disposal of its telecommunications transmission business in September 2009. The principal activity of the Group has been transformed from the provision of telecommunications transmission products to two emerging sectors, the provision of new energy products and technology as well as environmental protection, which are currently key developments of the State. Under the supports and preferential policies from the State, these two sectors grew rapidly. Leveraging on the consolidation of the new businesses, the Group is confident in seizing larger market shares in the respective business markets.

During the three months ended 31 December 2009 (the “Review Period”), with the consolidation of shallow ground energy business, the total turnover of continuing operations of the Group increased to approximately HK\$131.0 million in 2009 from approximately HK\$101.8 million in 2008, representing a growth of 28.7%. The increase in revenue from continuing operations was attributable to the growth in the sales performance of the shallow ground energy business, which increased 28.4% to approximately HK\$120.7 million from approximately HK\$94.0 million for the corresponding period last year. Meanwhile, the turnover from environmental protection business also achieved an increase from approximately HK\$7.8 million in 2008 to approximately HK\$10.4 million in 2009.

	For the three months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Shallow ground energy utilization	120,686	93,996
Environmental protection	10,353	7,845
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Continuing operations	131,039	101,841
<hr/>		
Discontinued operation	–	24,420
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During the Review Period, the gross profit margin from continuing operations of the Group increased from approximately 21.7% over the corresponding period last year to approximately 40.8%, primarily due to the different sales mix and increase in business volume with higher rates of return customer base of shallow ground energy business.

During the Review Period, the selling and distribution costs of the Group increased from approximately HK\$2.6 million over the corresponding period last year to approximately HK\$3.7 million, mainly due to the increase in business volume.

During the Review Period, the Group's administrative expenses from continuing operations increased from approximately HK\$15.5 million over the corresponding period of last year to approximately HK\$19.2 million mainly due to the increase in staff cost.

The consolidated profit attributable to shareholders of period under review improved to approximately HK\$24.1 million from a loss attributable to shareholders approximately HK\$2.9 million of 1st quarter 2008.

BUSINESS REVIEW AND OUTLOOK

SHALLOW GROUND ENERGY UTILISATION

Beijing Enterprises Ever Source Ltd. and its subsidiaries (“HYY”) has achieved outstanding performance and profits in its application and utilisation of shallow ground energy as substitute energy to provide heating for buildings. The projected goals have been realised.

2009 was an important year for the international community to promote low-carbon economy, energy conservation and emission reduction. In the process of ever-growing industrialisation and urbanisation and the increasingly intensifying confrontation between resources and environment, the Chinese government has launched a series of new measures and policies to radically reduce emissions and pollutions, forcefully promote the construction of energy-conservative and environmental-friendly society, actively advance circular economy and nurture low-carbon growth. In this context, HYY has made great progress in expanding the coverage and utilisation of Ground-Source Heat Pump System and managed to sustain its business growth.

HYY by combining its international patent technology of shallow ground energy collection through Single-well Circulation Heat Exchange with the internationally-accepted technology of buried pipes, has proved its Ground-source Heat Pump System to be fully applicable in locations of various geological conditions and highly efficient in providing heating free of pollution, water loss and potential geological risks. With the technology, the Company has realised a low-cost heating for buildings.

To explore new ways of expanding its substitute energy business, HYY endeavors to further tap its potentials. It is actively engaging local governments in China to join their efforts in promoting energy saving, emission reduction and low-carbon economy. The intention is to extend the Company’s business lines to the construction of demo projects of low-carbon and green buildings for real estate development and thus to cultivate a new structure of energy utilisation and a model of low-carbon green architecture that saves both energy and land resources. For the time being, the Company has started its engagement with local governments and made some land procurement arrangements. It is expected that in the upcoming years, the development of low-carbon green real estate projects will become a mainstream business of the Company. It is believed this move will help broaden the Group’s business base and also offer a chance for the Company to grow at a high speed.

ENVIRONMENTAL PROTECTION

As to the CDM project of Shenzhen Lisai Industrial Development Co., Ltd. ("Shenzhen Lisai"), a company principally engaging in the business of environmental protection, approximately 280,000 tons of CERs which were pending for certification were publicized by the Executive Board of United Nations. It is expected that such transaction will be completed in the next quarter. Shenzhen Lisai made a successful bid to acquire the management right of Xiaping landfill site. This enabled Shenzhen Lisai to have the initiative on gas collection and it is anticipated that the emission reduction of CERs will substantially increase in the future.

Guanlan River sewage treatment project is operating steadily and the water quality after processing has reached the relevant requirement. The project is one of the main source of income of Shenzhen Lisai's environmental protection business.

The ash treatment project for the incineration of household garbage in Shenzhen city ("ash treatment project") is the first ash stabilizing treatment construction of the PRC designed and constructed for the target of the entry of household garbage landfill business. The completion of the project will resolve the disposal problem of massive amount of ash generated from incineration, setting an example in the PRC. Currently, the environmental assessment of the project is basically approved and the Company is applying for qualifications according to the relevant requirement of the PRC. After the official commencement of operation, the project will become a new channel to generate business growth for the Company.

FINANCIAL RESULTS

The Board of Directors (the “Board”) of China Ground Source Energy Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 December 2009 together with the unaudited comparative figures for the corresponding period in 2008 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		Three months ended 31 December	
		2009	2008
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	2	131,039	101,841
Cost of sales		(77,586)	(79,766)
Gross profit		53,453	22,075
Other revenue		5,374	2,501
Selling and distribution costs		(3,707)	(2,580)
Administrative expenses		(19,243)	(15,453)
Other operating expenses		(2,272)	(524)
Profit/(loss) from operating activities		33,605	6,019
Share of results of associates and a jointly controlled entity		1,065	(2)
Finance costs		(9,647)	(7,277)
Profit/(loss) before tax	3	25,023	(1,260)
Income tax expense	4	487	(87)
Profit/(loss) for the period from continuing operations		25,510	(1,347)
Discontinued operations:			
Profit/(loss) for the period from discontinued operations	5	–	(1,119)
Profit/(loss) for the period		25,510	(2,466)
Attributable to:			
Equity holders of the Company		24,056	(2,939)
Minority interests		1,454	473
Profit/(loss) for the period		25,510	(2,466)
Dividend	6	–	–
Earnings/(loss) per share attributable to the equity holders of the Company	7		
– Basic (<i>HK cents</i>)		0.36	(0.05)
– Diluted (<i>HK cents</i>)		0.36	(0.05)

I. BASIS OF PREPARATION

The unaudited consolidated results have been prepared in accordance with Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards and Interpretations (collectively, "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

The accounting policies adopted in the preparation of this financial statements are consistent with those adopted in preparing the annual audited financial statements for the year ended 30 September 2009.

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

2. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and business tax where applicable, and services rendered.

An analysis of the Group's revenue is as follows:

	Three months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Shallow ground energy utilization	120,686	93,996
Environmental protection	10,353	7,845
	131,039	101,841
<hr/>		
Discontinued Operations:		
Transmission	-	24,420
	-	126,261

3. PROFIT/(LOSS) BEFORE TAX

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

	Continuing operation		Discontinued operation		Consolidated	
	Three months		Three months		Three months	
	ended 31 December		ended 31 December		ended 31 December	
	2009	2008	2009	2008	2009	2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs (including directors' emoluments)	8,869	7,744	-	143	8,869	7,887
Depreciation	848	998	-	312	848	1,310
Minimum lease payments under operating leases in respect of land and buildings	1,982	1,864	-	-	1,982	1,864

4. INCOME TAX EXPENSE

	Three months	
	ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PRC corporate income tax	678	1,135
Deferred tax	(1,165)	(1,048)
	(487)	87

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months ended 31 December 2009 (2008: Nil).

PRC corporate income tax has been provided at the relevant tax rate of the net assessable profits attributable to the Group's operations in the PRC during the three months ended 31 December 2009 (2008: HK\$1,135,000).

Deferred tax represents the imputed interest incurred from the convertible notes amounting to approximately HK\$7.1 million calculated at Hong Kong profits tax rate of 16.5%. Details of the convertible notes are set out in the Company's circulars dated 3 October 2007 and 29 February 2008.

5. RESULTS OF DISCONTINUED OPERATIONS

On 8 September 2009, II Networks International Limited, a wholly owned subsidiary of the Company, completed the disposal of the entire equity interest of Future Frontier Limited and its subsidiaries (the "Disposal"). Details of the Disposal are set out in the Company's circular dated 7 August 2009.

The unaudited consolidated results of the discontinued operations for the three months ended 31 December 2009 together with the unaudited comparative figures for the corresponding period in 2008 are as follows:

	Three months ended	
	31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	–	24,420
Cost of sales	–	(22,064)
<hr/>		
Gross profit	–	2,356
Other revenue	–	197
Selling and distribution costs	–	(1,027)
Administrative expenses	–	(1,677)
<hr/>		
Profit/(loss) from operating activities	–	(151)
Finance costs	–	(968)
<hr/>		
Profit/(loss) before tax	–	(1,119)
Income tax expense	–	–
<hr/>		
Profit/(loss) after tax	–	(1,119)
<hr/>		
Attributable to:		
Equity holders of the Company	–	(571)
Minority interests	–	(548)
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Profit/(loss) for the period	–	(1,119)
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6. DIVIDEND

The Board does not recommend payment of a dividend for the Review Period (2008: Nil).

7. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The basic and diluted earnings/(loss) per share for the three months ended 31 December 2009 and 2008 are calculated as follow:

	Three months ended 31 December	
	2009	2008
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to equity holders of the Company for computation of basic and diluted earnings/(loss) per share	24,056	(2,939)
	<hr/>	
	Three months ended 31 December	
	2009	2008
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for computation of basic earnings/(loss) per share	6,753,112,000	5,653,112,000
Dilutive potential ordinary shares:		
– Share options	–	19,000,000
– Convertible notes	–	1,080,000,000
	<hr/>	
Weighted average number of ordinary shares for computation of diluted earnings/(loss) per share	6,753,112,000	6,752,112,000
	<hr/> <hr/>	

8. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*For the three months ended 31 December 2009*

	Attributable to equity holders of the Company											
	Share capital	Share premium account	Convertible note equity reserve	Statutory reserve	Capital reserve	Asset revaluation reserve	Share-based payment reserve	Exchange fluctuation reserve	Accumulated losses	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2008	440,935	516,630	123,680	4	-	1,321	779	8,063	(192,867)	898,545	55,343	953,888
Provision of statutory reserve during the period	-	-	-	265	-	-	-	-	(265)	-	-	-
Currency translation	-	-	-	-	-	-	-	(2,456)	-	(2,456)	-	(2,456)
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	(2,939)	(2,939)	473	(2,466)
At 31 December 2008	440,935	516,630	123,680	269	-	1,321	779	5,607	(196,071)	893,150	55,816	948,966
As at 1 October 2009	526,735	516,123	123,680	307	698	-	27,136	7,348	(371,040)	830,987	47,915	878,902
Provision of statutory reserve during the period	-	-	-	831	-	-	-	-	(831)	-	-	-
Government Subsidy	-	-	-	-	642	-	-	-	-	642	-	642
Currently translation	-	-	-	-	-	-	-	265	-	265	-	265
Net profit/(loss) for the period	-	-	-	-	-	-	-	-	24,056	24,056	1,454	25,510
As at 31 December 2009	526,735	516,123	123,680	1,138	1,340	-	27,136	7,613	(347,815)	855,950	49,369	905,319

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

As at 31 December 2009, the interests or short positions of the directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short position which they are taken or deemed to have taken under such provisions of the SFO), or which will be required to be entered into the register kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(A) LONG POSITION IN SHARES AND EQUITY DERIVATIVES

Name of director	Capacity	Number of issued ordinary shares of US\$0.01 each in the Company held and the capacity			Aggregate interests	Approximate percentage of the aggregate interests
		Interests in shares	Approximate percentage of interests in shares	Interests under equity derivatives		
Ms. Chan Wai Kay Katherine (Note 1)	Beneficial owner	–	–	55,000,000		–
	Interest of spouse	40,296,000	0.59%	–	95,296,000	1.41%
Mr. Wu Shu Min (Note 2)	Beneficial owner	146,023,000	2.16%	68,000,000	214,023,000	3.17%
Mr. Xu Shengheng (Note 3)	Beneficial owner	1,067,568,000	15.81%	55,000,000		
	Interest of spouse	2,808,000	0.04%	–		
	Interest of controlled corporation	–	–	680,000,000	1,805,376,000	26.73%

Notes:

- I. Ms. Chan Wai Kay Katherine ("Ms. Chan") is interested in 55,000,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section. In addition, Mr. Chow Ming Joe Raymond ("Mr. Chow"), spouse of Ms. Chan, holds 40,296,000 shares of the Company ("Shares"). Under SFO, Ms. Chan is also deemed to be interested in 40,296,000 Shares in which Mr. Chow is interested.

2. Mr. Wu Shu Min is interested in 146,023,000 Shares and 68,000,000 Shares issuable pursuant to exercise of share options of the Company, details of such share options can be referred to part (b) of this section.

3. Mr. Xu Shengheng ("Mr. Xu") holds 1,067,568,000 Shares and 55,000,000 share options of the Company. Ever Sincere Investment Ltd. ("Ever Sincere") is 100% owned by Mr. Xu. Ms. Luk Hoi Man ("Ms. Luk"), is the spouse of Mr. Xu, holds 2,808,000 Shares. Therefore, under SFO, Mr. Xu is deemed to be interested in 1,067,568,000 Shares, 2,808,000 Shares in which Ms. Luk is interested, 680,000,000 underlying shares issuable upon the exercise of the conversion rights attached to the convertible notes which were issued to Ever Sincere and 55,000,000 Shares issuable pursuant to exercise of share options of the Company, details of such share option can be referred to part (b) of this section.

(B) LONG POSITION UNDER EQUITY DERIVATIVES

The Scheme

On 22 November 2001, the Company conditionally adopted a share option scheme (the "Scheme") for a period of ten years from the date on which the Scheme was adopted. The Scheme became unconditional upon the listing of the Company's shares on the GEM of the Stock Exchange on 30 November 2001. Under the Scheme, the board of directors was authorised, at its absolute discretion, to grant options to employees, including directors of the Company or any of its subsidiaries, to subscribe for shares in the Company under the terms of the Scheme. As at 31 December 2009, the following directors of the Company were interested in the following options under the Scheme:

Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of share options outstanding as at 1 October 2009
				and 31 December 2009
Ms. Chan Wai Kay Katherine	23 June 2009	23 June 2009 to 21 December 2011	0.0826	55,000,000
Mr. Xu Shengheng	23 June 2009	23 June 2009 to 21 December 2011	0.0826	55,000,000

Name of director	Date of grant	Exercise period	Exercise price per share <i>HK\$</i>	Number of share options outstanding as at
				1 October 2009 and 31 December 2009
Mr. Wu Shu Min	7 March 2002	7 March 2002 to 21 December 2011	0.465	10,000,000
	5 June 2003	5 June 2003 to 21 December 2011	0.078	3,000,000
	23 June 2009	23 June 2009 to 21 December 2011	0.0826	55,000,000
Mr. Soo Kim Fui Jeffrey	23 June 2009	23 June 2009 to 21 December 2011	0.0826	35,000,000
Mr. Fu Hui Zhong	23 June 2009	23 June 2009 to 21 December 2011	0.0826	15,000,000
Ms. Chan Man Kuen Laura	23 June 2009	23 June 2009 to 21 December 2011	0.0826	5,000,000
Mr. Jia Wenzeng	23 June 2009	23 June 2009 to 21 December 2011	0.0826	5,000,000
Mr. Chow Wan Hoi Paul	23 June 2009	23 June 2009 to 21 December 2011	0.0826	5,000,000

Save as disclosed above, as at 31 December 2009, 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. At any time during the reporting period, there was no debt securities issued by the Group.

INTERESTS DISCLOSEABLE UNDER SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 December 2009, 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

Name	Capacity	Interest in shares	Percentage of interests in shares	Interests under equity derivatives	Aggregate interests	Percentage of aggregate interests
China Standard Limited (Note 1)	Beneficial owner	500,000,000	7.40%	400,000,000	900,000,000	13.33%
Financial International Holdings Ltd. (Note 2)	Beneficial owner	525,716,000	7.78%	–	525,716,000	7.78%
Cheung Kwan (Note 2)	Beneficial owner	157,400,000	2.33%	–	683,116,000	10.12%
	Interest of controlled corporation	525,716,000	7.78%	–		
Ever Sincere Investment Limited (Note 3)	Beneficial owner	–	–	680,000,000	680,000,000	10.07%
Luk Hoi Man (Note 4)	Beneficial owner	2,808,000	0.04%	–	1,805,376,000	26.73%
	Interest of spouse	1,067,568,000	15.81%	735,000,000		

Notes:

1. 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.
2. Financial International Holdings Limited is wholly-owned by Ms. Cheung Kwan. Therefore, under SFO, Ms. Cheung Kwan is deemed to be interested in 683,116,000 Shares.
3. These are 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.
4. Ms. Luk Hoi Man ("Ms. Luk"), is the spouse of Mr. Xu Shengheng ("Mr. Xu"). Therefore, under SFO, Ms. Luk is deemed to be interested in 1,067,568,000 Shares and 735,000,000 underlying shares of the Company including 55,000,000 Share options that Mr. Xu is interested in otherwise than by virtue of interest of spouse.

Save as disclosed above, as at 31 December 2009, the directors of the Company were not aware of any other person (other than directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required, pursuant to Section 336 of the SFO, to be entered into the register referred to therein.

OUTSTANDING SHARE OPTIONS

THE SCHEME

As at 31 December 2009, options to subscribe for an aggregate of 588,700,000 shares were outstanding (including the directors of the Company as disclosed above). Details of which as at 31 December 2009 were as follows:

Date of grant of share options	As at 1 October 2009	Granted during the period	Cancelled during the period	Exercised during the period	Lapsed during the period	As at 31 December 2009	Exercise period of share options	Exercise price per share HK\$
1 March 2002	300,000	-	-	-	-	300,000	1 March 2002 to 21 December 2011	0.475
7 March 2002	10,000,000	-	-	-	-	10,000,000	7 March 2002 to 21 December 2011	0.465
5 June 2003	3,000,000	-	-	-	-	3,000,000	5 June 2003 to 21 December 2011	0.078
29 May 2007	11,000,000	-	-	-	-	11,000,000	29 May 2007 to 21 December 2011	0.214
23 June 2009	564,400,000	-	-	-	-	564,400,000	23 June 2009 to 21 December 2011	0.0826
	<u>588,700,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>588,700,000</u>		

COMPETITION AND CONFLICT OF INTERESTS

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

AUDIT COMMITTEE

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

The audit committee currently comprises three independent non-executive Directors, namely, Mr. Jia Wenzeng, Mr. Paul Chow Wan Hoi and Ms. Laura Chan Man Kuen. Mr. Jia Wenzeng is the chairman of the audit committee. The audit committee has reviewed the Group's unaudited results for the Review Period and has provided advice and comment thereon.

SECURITIES TRANSACTIONS BY DIRECTORS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

As at the date of this report, the Board comprises Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng, Mr. Wu Shu Min and Mr. Jeffrey Soo Kim Fui as executive Directors, Mr. Fu Hui Zhong as non-executive Director; Ms. Laura Chan Man Kuen, Mr. Jia Wenzeng and Mr. Paul Chow Wan Hoi as independent non-executive Directors.

By order of the Board
China Ground Source Energy Limited
Chan Wai Kay, Katherine
Chairman

Hong Kong, 10 February 2010