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

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

## **TERMINATION OF CONNECTED TRANSACTION**

This announcement is made pursuant to Rule 19.36 of the GEM Listing Rules. Reference is made to the announcement of China Ground Source Energy Limited (the “Company”) dated 4 February 2013 (the “Previous Announcement”) in relation to the entering into of the Capital Increment Agreement by HYY and New Material Company on 4 February 2013 which constituted a connected transaction of the Company. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Previous Announcement.

### **TERMINATION AGREEMENT**

The Board hereby announces that after arm’s length negotiations, HYY, New Material Company and Quancheng Investment entered into a termination agreement (the “Termination Agreement”) on 8 July 2013 by which all parties mutually agreed to terminate the Capital Increment Agreement.

Pursuant to the Termination Agreement, within three days upon signing of the Termination Agreement, Quancheng Investment shall refund to HYY the Consideration of RMB40,000,000 paid by HYY pursuant to the Capital Increment Agreement. Quancheng Investment shall also pay a fund possession charge at an annual rate of 10% for the actual time of keeping the Consideration, which will be calculated from the date of payment of the Consideration by HYY to the date of the signing of the Termination Agreement. If Quancheng Investment fails to fully refund the Consideration and pay the relevant fund possession charge within the specified time as agreed in the Termination Agreement, New Material Company shall pay HYY the liquidated damages for the amounts payable at a daily rate of 0.05% until all the Consideration and the fund possession charge is fully settled. Pursuant to the Termination Agreement, New Material Company has joint and several obligations for the refund of the Consideration and payment of fund possession charge and liquidated damages (if any). Upon full refund of the Consideration of RMB40,000,000 and full payment of the relevant fund possession charge to HYY, the fulfillment by HYY and New Material Company under the Capital Increment Agreement shall be completely terminated and HYY and New Material Company shall be released and discharged from all rights, obligations, claims and debts arising from the Capital Increment Agreement.

## REASONS FOR TERMINATION

HYY, New Material Company and Quancheng Investment have decided to terminate the Capital Increment Agreement as HYY has decided not to make further capital investment in Quancheng Investment as requested by New Material Company. Accordingly, the Company believes that it is in the best interest of the Group not to continue HYY's investment in Quancheng Investment and therefore the Capital Increment Agreement shall be terminated. The Board is also of the view that the termination of the Capital Increment Agreement will not have any material adverse impact on the existing business, operation or financial condition of the Group.

By order of the Board  
**China Ground Source Energy Limited**  
**Zheng Qiyu**  
Chairman

Hong Kong, 8 July 2013

*As at the date of this announcement, the Board comprises Mr. Zheng Qiyu, Ms. Chan Wai Kay, Katherine, Mr. Xu Shengheng and Mr. Zang Yiran as executive Directors, Ms. Wu Xiaohua and Ms. Xu Genghong as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Hu Zhaoguang as independent non-executive Directors.*

*This announcement, for which the directors of the Company 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 of Hong Kong Limited 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.*

*This announcement will remain on the GEM website with the domain name of [www.hkgem.com](http://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](http://www.cgsenergy.com.hk).*