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中國地能產業集團有限公司

CHINA GROUND SOURCE ENERGY INDUSTRY GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8128)

DISCLOSEABLE TRANSACTIONS

(1) DISPOSAL OF PROPERTIES

(2) ACQUISITION OF OFFICE PREMISES

(1) THE DISPOSAL

On 17 December 2013 (after trading hours of the Stock Exchange), Sibolian as purchaser and HYY (an indirect subsidiary of the Company) as vendor entered into the Disposal Agreement, pursuant to which, HYY agreed to sell, and Sibolian agreed to purchase, the Properties at the consideration of RMB225,613,567 (equivalent to approximately HK\$286,529,230).

GEM Listing Rules Implications

As one or more of the applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

(2) OFFICE PREMISES ACQUISITION

On 17 December 2013 (after trading hours of the Stock Exchange), HYY as purchaser and Sibolian as vendor entered into the Office Sale Agreement, pursuant to which, Sibolian agreed to sell, and HYY agreed to purchase, the Office Premises at the consideration of RMB112,576,400 (equivalent to approximately HK\$142,972,028).

GEM Listing Rules Implications

As one or more of the applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Office Premises Acquisition exceed 5% but are less than 25%, the Office Premises Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

(1) THE DISPOSAL

On 17 December 2013 (after trading hours of the Stock Exchange), Sibolian as purchaser and HYY (an indirect subsidiary of the Company) as vendor entered into the Disposal Agreement, pursuant to which, HYY agreed to sell, and Sibolian agreed to purchase, the Properties at the consideration of RMB225,613,567 (equivalent to approximately HK\$286,529,230).

The Disposal Agreement

Date

17 December 2013

Parties

- (1) HYY (as vendor)
- (2) Sibolian (as purchaser)

Sibolian is a PRC registered enterprise under collective ownership and is principally engaged in complete chemical engineering, water pump station engineering, mechanical valve, industrial automation and control equipment, computer hardware and software, communications equipment technology development, technical services etc. As at the date of this announcement, Sibolian owns approximately 5.39% equity interest in HYY, whereas the remaining approximately 94.61% equity interest in HYY is owned by a subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Sibolian and its ultimate beneficial owners are Independent Third Parties.

Key Terms

The key terms of the Disposal Agreement are as follows:

Disposal of Properties

HYY, an indirect subsidiary of the Company shall sell, and Sibolian shall purchase, the Properties at the Disposal Consideration.

Disposal Consideration and its basis

The Disposal Consideration is RMB225,613,567 (equivalent to approximately HK\$286,529,230) and is based on the pricing of approximately RMB15,130 (equivalent to approximately HK\$19,215) per square metre and the gross floor area of the Properties of 14,911.67 square metres.

The Disposal Consideration is determined (1) with reference to the market value of the Properties of RMB227,061,000 (equivalent to approximately HK\$288,367,000) as of 31 October 2013 as assessed by an independent professional property valuer (who assessed such value by market approach); (2) after arm's length negotiations between the parties; (3) after having considered the relatively large area of the Properties to be disposed of; and (4) after taking into account the short period of time for Sibolian to pay the Disposal Consideration in full to HYY.

Payment of Disposal Consideration

The Disposal Consideration shall be satisfied:

- (1) as to RMB112,576,400 (equivalent to approximately HK\$142,972,028), by setting off against the Office Sale Consideration payable by HYY to Sibolian in relation to the Office Premises Acquisition (details are set forth in the paragraph headed "(2) Office Premises Acquisition" below);
- (2) as to the remaining RMB113,037,167 (equivalent to approximately HK\$143,557,202) will be settled in cash by two instalments as follow:–
 - (a) RMB56,518,583 (equivalent to approximately HK\$71,778,600) shall be paid to HYY within five days from the effective date of the Disposal Agreement; and
 - (b) RMB56,518,584 (equivalent to approximately HK\$71,778,602) shall be paid to HYY before 31 December 2013.

Completion

HYY shall deliver the vacant possession of the Properties to Sibolian within 30 days after Sibolian has paid the Disposal Consideration in full.

Breach of Disposal Agreement

If, due to HYY's default, HYY fails to deliver the vacant possession of the Properties within 30 days after the full payment of the Disposal Consideration by Sibolian, HYY shall pay to Sibolian the sum of 0.02% of the Disposal Consideration per each day's delay as liquidated damages and compensate Sibolian for all the economic losses it incurred.

Information on Properties

The Properties are part of the Central Liquid Heating/Cooling Source Environmental System Industrial Base (中央液態冷熱源環境系統產業基地) (the “**Base**”) located at No. 80 Xing Shi Kou Road, Hai Dian District, Beijing City. The Base is designed and built for multiple purposes and includes buildings for office use and industrial plant use. Before the Disposal, HYY owns 24,012.88 square metres of the gross floor area of the Base. After completion of the Disposal, HYY will remain as the owner of 9,101.21 square metres of the gross floor area of the Base.

The net book value of the Properties as at 30 November 2013 was RMB104,120,000 (equivalent to approximately HK\$132,232,000) as set out in the unaudited management accounts of HYY for the period ended 30 November 2013.

The capital gain expected to accrue to the Company as a result of the Disposal is expected to be approximately RMB78,594,000 (equivalent to approximately HK\$99,814,000) (after taxation) and this gain is calculated on the basis of the difference between the Disposal Consideration and the carrying value of the Properties and estimated direct expenses for the Disposal. The proceeds from the Disposal will be applied as the general working capital of the Group.

Reasons for and Benefits of Entering Into the Disposal Agreement

The Company is an investment holding company and the Group is principally engaged in businesses for the promotion of application and its technology of utilization of shallow ground source energy as alternative energy for heating/(cooling).

The Board considers that the Disposal is a good opportunity for the Group to realize its investment in the construction of the Base and also improve the liquidity and overall financial position of the Group.

The Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of the Disposal Agreement are on normal commercial terms that are fair and reasonable; and
- (b) the Disposal is in the interest of the Company and the Shareholders as a whole.

GEM Listing Rules Implications

As one or more of the applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

(2) OFFICE PREMISES ACQUISITION

On 17 December 2013 (after trading hours of the Stock Exchange), HYY as purchaser and Sibolian as vendor entered into the Office Sale Agreement, pursuant to which, Sibolian agreed to sell, and HYY agreed to purchase, the Office Premises at the consideration of RMB112,576,400 (equivalent to HK\$142,972,028).

The Office Sale Agreement

Date

17 December 2013

Parties

- (1) Sibolian (as vendor)
- (2) HYY (as purchaser)

Key Terms

The key terms of the Office Sale Agreement are as follows:

Assets to be Acquired

HYY shall purchase, and Sibolian shall sell, the Office Premises at the Office Sale Consideration.

Office Sale Consideration and its basis

The Office Sale Consideration payable by HYY to Sibolian for the Office Premises Acquisition is RMB112,576,400 (equivalent to HK\$142,972,028) and shall be setoff in full as part of the Disposal Consideration.

The Office Sale Consideration is determined (i) with reference to the market value of the Office Premises of RMB115,212,000 (equivalent to approximately HK\$146,319,000) as of 31 October 2013 as assessed by an independent professional property valuer (who assessed such value by market approach); and (ii) after arm's length negotiations between the parties.

Breach of Office Sale Agreement

If Sibolian fails to deliver the Office Premises to HYY on the date stipulated in the Office Sale Agreement, Sibolian shall pay HYY the sum of 0.1% of the Office Sale Consideration per each day's delay as liquidated damages until the actual date of delivery. If there has been a delay in delivering the Office Premises for more than six months, HYY is entitled to terminate the Office Sale Agreement.

Information on Office Premises

The Office Premises is situated at No. 102 Xing Shi Kou Road, Hai Dian District, Beijing City and is currently leased by Sibolian to HYY. The gross floor area of the Office Premises is 5,628.82 square metres.

Reasons for and Benefits of Entering Into the Office Sale Agreement

The Board considers that it is beneficial to the Group to acquire the Office Premises as a good long-term investment and the Group will no longer need to pay any rent to Sibolian for the Office Premises (and thereby reducing the operating expenses of HYY).

The Directors (including the independent non-executive Directors) consider that:

- (a) the terms and conditions of the Office Sale Agreement are on normal commercial terms that are fair and reasonable; and
- (b) the Office Premises Acquisition is in the interest of the Company and the Shareholders as a whole.

GEM Listing Rules Implications

As one or more of the applicable percentage ratio(s) (as defined in Chapter 19 of the GEM Listing Rules) in respect of the Office Sale Agreement exceed 5% but are less than 25%, the Office Premises Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the meanings set out below:

“associates”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	China Ground Source Energy Industry Group Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on GEM
“connected persons”	has the meaning ascribed to it under the GEM Listing Rules
“Directors”	the directors of the Company
“Disposal”	the disposal of the Properties by HYY to Sibolian pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 17 December 2013 for the sale and purchase of the Properties between HYY and Sibolian
“Disposal Consideration”	the total consideration of RMB225,613,567 (equivalent to approximately HK\$286,529,230) for the Disposal pursuant to the Disposal Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HYY”	Ever Source Science and Technology Development Group Ltd.* (恒有源科技發展集團有限公司), a subsidiary indirectly-owned by the Company
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Office Premises”	an office premises of gross floor area of 5,628.82 square meters situated at No. 102 Xing Shi Kou Road, Hai Dian District, Beijing City

“Office Premises Acquisition”	the acquisition of the Office Premises by HYY from Sibolian pursuant to the Office Sale Agreement
“Office Sale Agreement”	the agreement dated 17 December 2013 entered into between HYY as purchaser and Sibolian as vendor in relation to the sale and purchase of the Office Premises
“Office Sale Consideration”	the total consideration in the sum of RMB112,576,400 (equivalent to HK\$142,972,028) payable by HYY to Sibolian for the Office Sale Acquisition
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Properties”	buildings with gross floor area of 14,911.67 square meters erected at the Environmental System Industrial Base for Central Liquid Heating/Cooling Energy located at No. 80 Xing Shi Kou Road, Hai Dian District, Beijing City
“RMB”	Reminbi, the lawful currency of the PRC
“Shareholders”	the holders of the shares of the Company
“Sibolian”	Beijing Sibolian General Mechanical New Technology Company* (北京市四博連通用機械新技術公司), a PRC registered enterprise under collective ownership
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“%”	per cent

Conversion of RMB into HK\$ in this announcement is based on the exchange rate of RMB1=HK\$1.27. Such exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at such or any other rates or at all.

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

Hong Kong, 17 December 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, Mr. Zhao Youmin and Mr. Daigi 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 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.

** for identification purpose only*