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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 TRANSACTION ACQUISITION OF PROPERTY HOLDING COMPANY**

### **THE ACQUISITION**

The Board is pleased to announce that, on 31 December 2014 (after trading hours), HYY Hangzhou (an indirect wholly owned subsidiary of the Company, as Purchaser), HK Goodway (as Seller) and Mr. Chen Zaixian (as Guarantor) entered into the S&P Agreement, pursuant to which, HYY Hangzhou agreed to purchase and HK Goodway agreed to sell, the 100% equity interest in Hangzhou Goodway at the consideration of RMB93,000,000 (equivalent to approximately HK\$116,250,000), to indirectly acquire the Subject Land & Property held by Hangzhou Goodway.

### **GEM LISTING RULES IMPLICATIONS**

As the relevant applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

### **THE ACQUISITION**

The Board is pleased to announce that, on 31 December 2014 (after trading hours), HYY Hangzhou (an indirect wholly owned subsidiary of the Company, as Purchaser), HK Goodway (as Vendor) and Mr. Chen Zaixian (as Guarantor) entered into the S&P Agreement, pursuant to which, HYY Hangzhou agreed to purchase and HK Goodway agreed to sell, the 100% equity interest in Hangzhou Goodway at the consideration of RMB93,000,000 (equivalent to approximately HK\$116,250,000), to indirectly acquire the Subject Land & Property held by Hangzhou Goodway. Details of the Acquisition are set out below:

## **The S&P Agreement**

**Date:** 31 December 2014

### **Parties:**

- (1) HYY Hangzhou (as Purchaser)
- (2) HK Goodway (as Vendor)
- (3) Mr. Chen Zaixian (as Guarantor)

HK Goodway is a limited company incorporated and registered in Hong Kong and is owned as to its 52% equity interests by Mr. Chen Zaixian and the remaining 48% equity interests is owned by an individual. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, HK Goodway, Mr. Chen Zaixian and the individual who owns 48% equity interests of HK Goodway are Independent Third Parties.

### ***Key Terms***

The key terms of the S&P Agreement are as follows:

#### *The Acquisition*

HYY Hangzhou agreed to purchase and HK Goodway agreed to sell, the 100% equity interest in Hangzhou Goodway at the Consideration to indirectly acquire the Subject Land & Property held by Hangzhou Goodway. After the completion of the Acquisition, Hangzhou Goodway will become the indirect wholly-owned subsidiary of the Company.

#### *The Consideration and its basis*

The consideration of the Acquisition is RMB93,000,000 (equivalent to approximately HK\$116,250,000). The Consideration will be payable in the following manner:

- (a) within 15 working days after the effective date of the S&P Agreement, the Purchaser will pay to the Vendor RMB65,100,000 (equivalent to approximately HK\$81,375,000);
- (b) within 10 working days upon the completion of the separation of the claims and liabilities and the formalities with regard to the release of charges of Hangzhou Goodway, the Purchaser will pay to the Vendor RMB13,950,000 (equivalent to approximately HK\$17,437,500); and
- (c) within 10 working days upon the processing of all the relevant ownership certificates of the Subject Land & Property, the Purchaser will pay to the Vendor the remaining amount of RMB13,950,000 (equivalent to approximately HK\$17,437,500).

The Consideration will be satisfied by the internal resources of the Company.

The Consideration is determined (i) with reference to the valuation of the Subject Land & Property of RMB101,300,000 (equivalent to approximately HK\$126,625,000) as of 30 November 2014 as assessed by an independent professional valuer (who assessed such value by investment approach and direct comparison approach); and (ii) after arm's length negotiations between the parties.

#### *Conditions precedent*

The S&P Agreement and the transactions contemplated thereunder taking effect shall be conditional upon fulfilment of the following conditions:—

- a) the relevant requirement of the GEM Listing Rules has been satisfied;
- b) the approval by the holding company of the Purchaser has been granted in accordance with the requirement for listing companies.

If the S&P Agreement cannot take effect due to any of the above-mentioned conditions precedent is not satisfied which will not constitute a breach of the agreement and no liability shall be borne by both parties.

#### *Completion*

Completion of the Acquisition will take place upon completion of the formalities for change of the company's registration of Hangzhou Goodway.

#### *Other Major Terms*

The Vendor and the Purchaser agreed that prior to the completion of the Acquisition which is the date of completion of the formalities for change of the company's registration of shares transfer of Hangzhou Goodway, all the financial and legal obligations and liabilities shall be borne by the Vendor.

#### *Commitments and warranties by the Vendor*

The Vendor promised that, except the Subject Land & Property, the separation of all the assets, liabilities (including but not limited to all the claims and liabilities) and the discharge of all the security created over the equity interests and the Subject Land & Property of Hangzhou Goodway (if any) shall be completed within 30 working days upon receipt of the First Payment.

The Vendor and the Purchaser agreed that within 30 working days from the date of signing of the S&P Agreement to process all the necessary approval and registration formalities for the transfer of equity interest of Hangzhou Goodway. The Vendor warranted that upon processing all the approval and registration formalities for the transfer of equity interest of Hangzhou Goodway with the local

Administrative for Industry and Commerce Authority, the registered share capital of Hangzhou Goodway shall be fully paid-up. Currently, the registered share capital and the total paid up share capital of Hangzhou Goodway has a difference of US\$400,000 (equivalent to approximately HK\$3,120,000). The Vendor will be responsible to complete the formality to change the registered share capital to the amount which was actually paid or to pay the unpaid share capital.

### *Guarantee*

The Guarantor as primary obligor hereby unconditionally and irrevocably guarantees to the Purchaser the due and punctual performance and observance by the Vendor of all its obligations, commitments, agreements, warranties, indemnities and covenants under or pursuant to the S&P Agreement and agree to indemnify and keep indemnified the Purchaser in full from and against all liabilities, losses, damages, claims, costs and expenses which the Purchaser may suffer through or arising from any breach by the Vendor of such guarantees, commitments, agreements, warranties, indemnities and covenants.

## **INFORMATION ABOUT THE SUBJECT LAND & PROPERTY**

The Subject Land & Property is located at No. 6 Zhuantang Science and Technology Economic Zone, Zhuantang Jie Dao, Xihu District, Hangzhou City, Zhejiang Province, the PRC with a site area of approximately 29,976 square meters on which three blocks of industrial/ancillary office buildings were erected with a total gross floor area of approximately 24,320 square meters. The Subject Land & Property has remaining land area available for the further construction of a total gross floor area of approximately 32,798 square meters of industrial/ancillary office buildings. The land use rights was granted for industrial use.

## **INFORMATION ABOUT HANGZHOU GOODWAY**

Hangzhou Goodway is a wholly foreign-owned enterprise established in PRC on 9 December 2004. Currently, the registered share capital was US\$19,270,000 (equivalent to approximately HK\$150,306,000) and the paid up share capital was US\$18,870,000 (equivalent to approximately HK\$147,186,000). Hangzhou Goodway is principally engaged in the research and development of biological health products. Its majors asset is the Subject Land & Property.

The audited net assets of Hangzhou Goodway as at 31 December 2013 and 31 July 2014 were approximately RMB109,004,807 (equivalent to approximately HK\$136,256,009) and RMB84,547,027 (equivalent to approximately HK\$105,683,784) respectively. The audited consolidated net loss before and after taxation and extraordinary items of Hangzhou Goodway for the year ended 31 December 2013 and for the 7 months ended 31 July 2014 were approximately RMB11,759,941 (equivalent to approximately HK\$14,699,926) and RMB24,457,781 (equivalent to approximately HK\$30,572,226) respectively.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Group is principally engaged in the research, development and promotion of shallow ground source energy as alternative energy to provide heating for buildings and is committed to the industrialization development of the original technology which can accelerate the all-around upgrade and transformation of the traditional heating industry with combustion, emissions and pollution to an emerging industry of combustion-free integrated heating and cooling system with shallow ground source energy.

As the Company is now actively expanding its business in Zhejiang region and intends to develop and construct the Integrated Heating and Cooling of Ground Source Energy Industrial Park and the Company's operation and maintenance center in the local area. The Board considered that the Acquisition provides a good opportunity for the Company to expand its business in such quality region of Hangzhou and believed that it will help to further develop the Company's businesses. This business is also the Company's normal operations for expansion. The Directors (including the independent non-executive Directors) considered that the terms of the Acquisition is on normal commercial terms and fair and reasonable, and the Acquisition is in the interests of the Company and its shareholders as a whole.

## **GEM LISTING RULES IMPLICATIONS**

As the relevant applicable percentage ratios exceed 5% but are less than 25%, the 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 following meaning:

“Acquisition”	the acquisition of the 100% equity interest in Hangzhou Goodway at a consideration of RMB93,000,000 (equivalent to approximately HK\$116,250,000)
“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 issued shares of which are listed on the GEM
“Directors”	The directors of the Company
“First Payment”	RMB65,100,000 (equivalent to approximately HK\$81,375,000) to be paid by HYY Hangzhou to HK Goodway within 15 working days after the effective date of the S&P 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
“Hangzhou Goodway”	Goodway (Hangzhou) Biotechnology Ltd.* (嘉德威(杭州)生物科技有限公司), a wholly foreign-owned enterprise established in PRC
“HK Goodway”	Hong Kong Goodway International Holdings Limited, a company incorporated in Hong Kong and owns 100% equity interest in Hangzhou Goodway
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HYY Hangzhou”	Hangzhou Ever Source Energy and Technology Ltd.* (杭州恒有源能源科技有限公司), a limited company registered in the PRC and is an indirect wholly-owned subsidiary of the Company
“Independent Third Party”	a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules)
“PRC”	the People’s Republic of China which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the sale and purchase agreement dated 31 December 2014 entered into between HYY Hangzhou, HK Goodway and Mr. Chen Zaixian
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Land & Property”	the land use rights of a piece of land located at No. 6 Zhuantang Science and Technology Economic Zone, Zhuantang Jie Dao, Xihu District, Hangzhou City, Zhejiang Province, the PRC and three blocks of industrial/ancillary office buildings were erected thereon with a total gross floor area of approximately 24,320 square meters.

“US\$” the United States of America dollars, the lawful currency of the United States of America

“%” per cent.

*For the purpose of this announcement, the exchange rates of RMB1.00 = HK\$1.25 and US\$1.00 = HK\$7.80 have been used. This is for the purpose of illustration only and does not constitute a representation that any amounts have been, could have been or may be converted at the above exchange rates.*

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

Hong Kong, 31 December 2014

*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. Daiqi as non-executive Directors, Mr. Jia Wenzeng, Mr. Wu Desheng and Mr. Zhang Honghai 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).*

\* For identification purpose only